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The Professional Corporation in Mississippi After TEFRA

by

Denzil Y. Causey, Jr.

All fifty states have adopted statutes that permit professionals to incorporate their professional practices. However, the tax benefits of these professional corporations have been importantly reduced by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Many professionals who have incorporated their practices may now decide to dissolve these corporations. This paper analyzes the advantages and disadvantages of the professional corporation in Mississippi after TEFRA.

MISSISSIPPI PROFESSIONAL CORPORATION STATUTE

Chapter 9 of Mississippi Statutes is designated as the "Mississippi Professional Corporation Law." It permits formation of a corporation to perform professional services. The statute specifically permits professional corporations to render services as certified public accountants, dentists, and engineers, veterinarians, osteopaths, physicians, surgeons, and attorneys.¹ Shareholders are limited to individuals who are licensed to render the particular professional service. Services may be rendered only by or through persons who are licensed to engage in the particular profession in Mississippi.²

While professional corporations may not engage in any business other than the rendering of the designated professional service, the Mississippi statute permits investing funds in real estate, mortgages, stocks, bonds, and other investments as well as owning real or personal property used in performing the professional service.³ The corporate name must end with the word "Chartered" or "Limited" or the abbreviation "Ltd." or the words "Professional Association" or the abbreviation "P. A."⁴

Limited Liability for Acts of Others

The Mississippi statute provides that officers, shareholders, agents, or employees of a professional corporation remain personally liable to their clients for their own acts as well as the acts of those under their direct supervision and control.⁵ The corporation is liable to the full extent of its property for negligent or wrongful acts in rendering the professional service. The effect of the Mississippi statute is to eliminate personal liability where there is no personal involvement with the work.

Statutes in Arizona, Colorado, Oregon, and Wisconsin do not provide the limited liability afforded by statutes in Mississippi and most other states. For example, all shareholders in Oregon remain personally liable to all clients of the professional corporation. However, in construing the Oregon Statute it was held that it did bar a suit by a third party against a CPA who did not participate in the work.⁶

Transfer of Shares

Shareholders are not permitted to transfer their shares except to persons licensed to perform the particular service and then only upon approval of a majority vote of the shares at a special meeting called for this purpose.⁷ Failure to require a disqualified shareholder to transfer shares to someone legally qualified to render the professional service may result in dissolution of the corporation.⁸

Mississippi statutes provide that the articles of incorporation or bylaws may limit transfer of the shares except to the corporation at prices and in the manner specified.⁹ However, redemption provisions

cannot be invoked so as to impair the capital of the corporation or render it insolvent. To avoid this problem the corporation may elect to carry life insurance on the lives of its shareholders sufficient to pay for purchase of the shares of a deceased shareholder.

Compliance with Formalities

Someone should be designated to attend to the formalities required for proper corporate existence. For example, an annual report including a list of the names of shareholders must be filed with the Mississippi Secretary of State.¹⁰ If corporate formalities are not observed, the courts and tax authorities may ignore the corporation.

In a Pennsylvania case, the court held that two CPAs became shareholders in a professional corporation despite the fact that no stock book was maintained and no stock certificates were issued since the certificate is only evidence of shareholder status.¹¹ However, the court ruled that when the CPAs scrambled for business upon breakup of the professional corporation due to personal differences, they owed each other a fiduciary duty of trust and confidence and should have refrained from using their positions to the others' detriment and to their own advantage. In solving the allocation problem presented upon dissolution, the court pierced the corporate veil and treated the shareholders as equal individuals.

STATE AND FEDERAL TAX STATUS

The Internal Revenue Service has announced that it will recognize the corporate status of a business organized and operated under the Mississippi Professional Corporation Law.¹² This means that two principal tax advantages of corporations are available:

- (1) Increased capital investment needed to operate a business can be provided by earnings taxed at low corporate rates, and
- (2) accident and health plans can be provided on a tax free basis to the individual while the corporation deducts the expense (unless the plan is both self-insured and discriminates in favor of key employees).

While pension benefits was previously a major reason for incorporating, TEFRA has now placed Keogh plans adopted by self-employed persons on a general parity with corporate pension plans. TEFRA also has greatly limited the life insurance benefits

obtained by incorporating.¹³

Corporate tax status also results in certain disadvantages. The professionals become employees and the resulting employer/employee contributions for FICA tax are greater than self-employment tax incurred without the corporate status. The professionals also may become subject to unemployment tax and workers' compensation insurance as a result of their employee status.

Another disadvantage of corporate status is that the corporation is subject to both federal and Mississippi corporation income taxes. The federal tax rates on corporate income are (after 1982):

- 15% on the first \$25,000
- 18% on the next \$25,000
- 30% on the next \$25,000
- 40% on the next \$25,000
- 46% on income in excess of \$100,000

Mississippi tax rates on corporate income (levied by Mississippi Statutes § 27-7-5) are (same as for individuals):

- 3% on the first \$5,000
- 4% on income in excess of \$5,000

Mississippi also levies an annual Franchise Tax on each corporation of \$2.50 per \$1,000 of invested capital measured (pursuant to Mississippi Statutes § 27-13-9) by the combined issued and outstanding capital stock, surplus and undivided profits.

The federal corporate income tax may be avoided where there are no more than 25 shareholders by electing tax-option status whereby the income is taxed to the stockholders. This option also avoids the Mississippi income tax on corporations by virtue of Mississippi Statutes § 27-7-29 which requires the filing of a Mississippi partnership return for tax-option corporations.

Pension Parity

By increasing the federal tax deduction available for contributions to self-employed pension plans (Keogh Plans) and decreasing the federal tax deduction for corporate pension contributions, TEFRA has produced relative parity starting in 1984. At that time, self-employed persons can deduct pension contributions of 25% of "earned income" with a maximum annual contribution of \$30,000 (\$90,000 maximum annual contribution for defined-benefit plans). Current rules permit the unincorporated professional to deduct contributions of only 15% of self-employment income up to a maximum of \$15,000.

Also starting in 1984, TEFRA limits deductible corporate contributions to 25% of compensation up to \$30,000 for defined-contribution plans (\$90,000 for defined-benefit plans). These limits are down from the current corporate limit of \$45,475 for a defined benefit plan and the current corporate limit of \$136,425 for corporate defined-benefit plans).¹⁴

Exhibit 1 shows a comparison of the unincorporated (Keogh) plan and the corporate plan. The illustration is based on the assumption of a self-employed professional earning \$125,000 per year who desires to make the maximum tax-deductible contribution to a pension plan and draw out the balance. Note that under the Keogh plan, earned income is defined as income after deducting the pension contribution.¹⁵ Under this plan, our self-employed professional is contributing \$25,000 which is 20% of self-employment income. However, this contribution is 25% of "earned income" of \$100,000 as permitted by the Internal Revenue Code.

Compare the operation of the corporate plan as per Exhibit 1. Since our professional desires to contribute the maximum deductible amount, the contribution must be 25% of compensation which gives a ratio of compensation to pension contribution of 4 to 1. Assuming that the total available for pension and compensation is \$125,000, the 4 to 1 ratio is achieved by paying salary of \$100,000 and contributing \$25,000 to the corporate pension plan.

Exhibit 1 demonstrates the parity of corporate and Keogh plans under the operating assumption. Under both plans, the deductible pension contribution can be increased to \$30,000 when the total earnings available for pension and salary goes from \$125,000 to \$150,000. The \$150,000 would be divided into \$120,000 salary and \$30,000 pension contribution thus preserving the 4 to 1 ratio. Operating assumptions can cause some differences in plan results. For example, assuming sufficient retained earnings and cash, the corporation could keep paying the salary and keep making the deductible contribution despite incurrence of net losses. This is an unlikely occurrence, however, because the pension contribution would simply increase the operating loss and thus tax benefit of the deduction might be lost.

Tightening of Corporate Life Insurance Benefits

Starting in 1984, key corporate employees will no longer be able to exclude from income \$50,000 of group term life insurance provided by the employer unless the insurance plan meets nondiscrimination rules provided in TEFRA. Among other tests the plan must cover 70 percent of all employees and at least 85 percent of all participating employees must not be key employees. While many corporations will continue to operate discriminatory plans and get a tax deduction for the cost, the value of the insurance must be treated as income to key employees but not to other employees.¹⁶

EXHIBIT 1: Comparison of Self-Employed (Keogh) and Corporate Pension Plans

Operating Assumption: Performance of Professional services produces \$125,000 of earnings available for current compensation and pension; the professional desires to make the maximum deductible contribution to a pension plan and to draw out the balance.

	Self-Employed [Keogh] Plan	Corporate Plan
Earnings available for current compensation and pension contribution	\$125,000	\$125,000
DEDUCT: Pension contribution (deductible for income tax purposes)	25,000	25,000
Earned income	<u>\$100,000</u>	
Corporate net income before salary deduction		\$100,000
DEDUCT: Salary to incorporated professional		<u>100,000</u>
Corporate net income subjected to federal or Mississippi income tax		<u>0</u>

Corporate Perks

The Economic Recovery Tax Act prohibits the IRS from issuing regulations governing executive perks until 1984. A perk is a benefit in addition to salary or wages. The corporate form still offers potential for nontaxable perks for the executive. One of the notable benefits is an interest-free loan to a key employee on a demand note. The key employee incurs no income as a result of the interest free loan but is free to invest the money in tax exempt securities. While a recent decision in the U. S. Court of Claims held that the interest free loan could result in income to the key employee, other courts have ruled to the contrary so that this practice goes largely unchallenged by the IRS.¹⁷

It should not be assumed that forming a corporation results in tax deductions for personal expenses paid by the corporation on behalf of management or stockholders. For example, the Tax Court disallowed personal expenses taken by a professional corporation for a doctor's personal use of a Mercedes Benz 450SL purchased by the corporation. While only 12 percent of the car's use was personal and the doctor paid the corporation \$300 per year for this personal use, the Tax Court disallowed 12 percent of the expenses that related to such personal use and held that the doctor had received a dividend equal to the fair rental value of the car assignable to personal use, less the \$300 paid.¹⁸

PARTNERSHIP OF PROFESSIONAL CORPORATIONS ELIMINATED BY TEFRA

Based on the Tax Court decision in *Daniel F. Keller*¹⁹ some professionals started to incorporate their personal practices with the newly formed corporation becoming a partner with other individuals or with other similar professional corporations. This approach afforded greater flexibility since each corporation's pension plan could be tailored to the sole individual based on the particular income level and personal pension objectives.

In the *Keller* case, Dr. Keller formed a corporation which substituted for him in a partnership engaged in the practice of pathology. This reduced his taxable income by \$23,000 of pension plan contributions and \$6,000 in medical expense reimbursements. The IRS sought to reallocate 100% of the corporate income to Dr. Keller under the "assignment

of income" theory and IRC § 482 which empowers the Commissioner to allocate income and deductions between two or more controlled trades or businesses in order to clearly reflect income. In a split decision, the Tax Court sustained Dr. Keller's P.C.

Starting in 1983, TEFRA nullifies the *Keller* case and effectively eliminates the partnership of professional corporation idea by virtue of new Internal Revenue Code Section § 269A which provides that if "substantially all of the services of a personal service corporation are performed for (or on behalf of) 1 other corporation, partnership, or other entity" and the principal purpose is for federal income tax benefits, the Secretary of the Treasury may allocate all income, deductions, etc. to the employee-owners. An employee-owner is anyone who owns more than 10 percent of the corporate stock.

FAVORABLE LIQUIDATION OF PROFESSIONAL CORPORATIONS DURING 1983 and 1984

Congress realized that as a result of parity between corporate and noncorporate (Keogh) pension plans and the nullification of the *Keller* case by new IRC § 269A that many professionals would want to liquidate their professional corporations. To make this transition easier, Congress provided in TEFRA that any professional corporation may within 1983 or 1984 complete a one-month liquidation under Internal Revenue Code § 333 without the corporation recognizing any income on the distribution of uncollected accounts receivable. These accounts are to be treated as having a zero basis. Shareholders must recognize as dividend income their ratable shares of the corporate retained earnings and any remaining gain is short-term or long-term capital gain depending upon whether the holding period exceeded one year.

SUMMARY AND CONCLUSION

The Mississippi Professional Corporation Law offers limited liability for services that the professional does not personally perform or supervise. It offers limited benefits for federal income tax purposes primarily for high income professionals. After TEFRA these consist mostly of (1) the opportunity to accumulate earnings after low federal corporate income tax rates, (2) accident and health plans, and (3) corporate "perks." These advantages are offset

somewhat by Mississippi and Federal taxes and related filing requirements. The professional planning to incorporate or to liquidate the professional corporation should engage a competent tax advisor to give careful attention to each step involved in implementing and operating the plan to assure attainment of anticipated objectives. This paper has reviewed only a few of the important issues that should be considered; each professional service entity may have problems that are unique to its particular situation.

Sales Indicated By Sales Tax Collections During August, 1982 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,399	33,278	Lowndes	1,722	44,478
Alcorn	1,028	29,884	Madison	840	25,216
Amite	122	2,685	Marion	715	16,558
Attala	386	9,981	Marshall	397	8,884
Benton	56	1,365	Monroe	743	20,106
Bolivar	849	21,067	Montgomery	233	5,398
Calhoun	243	5,919	Neshoba	454	11,373
Carroll	117	2,711	Newton	309	7,391
Chickasaw	289	6,801	Noxubee	167	4,164
Choctaw	103	2,347			
Claiborne	359	22,117	Oktibbeha	658	15,095
Clarke	214	5,139			
Clay	338	9,560	Panola	623	15,629
Coahoma	807	19,334	Pearl River	617	14,183
Copiah	398	9,589	Perry	220	9,185
Covington	295	7,109	Pike	1,116	25,699
			Pontotoc	277	6,450
DeSoto	833	20,174	Prentiss	349	8,769
Forrest	2,382	65,141	Quitman	191	4,755
Franklin	103	2,767	Rankin	1,725	49,896
George	262	6,146	Scott	476	11,676
Greene	86	1,943	Sharkey	127	2,710
Grenada	571	15,385	Simpson	432	10,090
Hancock	745	20,879	Smith	136	3,318
Harrison	4,506	112,167	Stone	185	4,398
Hinds	8,245	247,969	Sunflower	594	28,897
Holmes	310	7,117			
Humphreys	253	6,028	Tallahatchie	239	5,268
			Tate	339	8,117
Issaquena	16	513	Tippah	330	21,016
Itawamba	337	10,137	Tishomingo	332	9,084
			Tunica	150	3,486
Jackson	2,923	97,107			
Jasper	270	6,369	Union	366	9,823
Jefferson	86	1,974			
Jeff Davis	204	5,006	Walsh	261	4,831
Jones	2,340	55,728	Warren	1,345	36,194
			Washington	1,751	44,002
Kemper	105	2,409	Wayne	427	11,533
			Webster	141	3,254
Lafayette	530	12,575	Wilkinson	181	4,430
Lamar	283	7,426	Winston	342	8,200
Lauderdale	2,279	60,648			
Lawrence	166	3,891	Yalobusha	214	5,098
Leake	290	6,689	Yazoo	668	18,216
Lee	2,144	67,970			
LeFlore	1,025	25,956			
Lincoln	750	21,604			
			State Total	59,381	1,623,583

FOOTNOTES

¹ Mississippi Statutes Section 79-9-3 and Section 79-9-5.

² Mississippi Statutes Section 79-9-5.

³ Mississippi Statutes Section 79-9-13.

⁴ Mississippi Statutes Section 79-9-21.

⁵ Mississippi Statutes Section 79-9-11.

⁶ Lundgren v. Superior Court of Los Angeles County, 168 Cal. Rptr. 717 (Cal. App. 1980) (California asserted jurisdiction over the Oregon professional corporation because a corporate officer came to Los Angeles to prepare the financials used in a merger of California companies. While the Oregon Statute did not afford limited liability in suits by clients of the professional corporation, it did eliminate personal liability to a third party for a shareholder who did not participate in the engagement).

⁷ Mississippi Statutes Section 79-9-19.

⁸ Mississippi Statutes Section 79-9-17.

⁹ Mississippi Statutes Section 79-9-19.

¹⁰ Mississippi Statutes Section 79-9-21.

¹¹ Krosnar v. Schmidt Krosnar McNaughton Garrett Co., 423 A.2d 370 (Pa. Super. 1960).

¹² Revenue Ruling 70-101, 1970-CB 278.

¹³ IRC 79.

¹⁴ IRC 415.

¹⁵ IRC 401 (c) (2).

¹⁶ IRC 79 (d).

¹⁷ Hardee, CCH CTCLsTrJRpt -9459 (Court Claims 1982).

¹⁸ Egan v. Commissioner, CCH Dec. 38,989 (M), T. C. Memo 1982-237 (May 3, 1982).

¹⁹ Daniel F. Keller, CCH Dec. 38, 401, 77 TC No. 70 (1981).

Privacy Controls: Is Your Company Doing Enough ?

By

Dr. Carole Cheatham

On December 18, 1974, Congress passed the Privacy Act of 1974, which defined privacy controls for data banks of federal agencies. The Privacy Act was the result of the concern of legislators that large-scale government data banks were accumulating vast amounts of information about individuals that should be treated in a confidential manner. Although the legislation applied only to federal agencies, the act also established the Privacy Protection Study Commission (PPSC) to conduct a two-year study into privacy problems created by both private and government data banks. In July 1977, the PPSC issued its report which spawned a host of bills in the House and Senate, all dealing with some phase of privacy or security. By May 1980 there were some 77 such bills pending in Congress.¹ It seems that increased regulation of data banks is inevitable; if not in the form of comprehensive legislation, at least in the form of piecemeal laws affecting different aspects of data use.

A further impetus towards privacy controls is the set of international guidelines for privacy protection established by the Organization for Economic Cooperation and Development (OECD). The OECD guidelines allow self-regulation by private sector organizations as an acceptable means of privacy control and as an alternative to privacy legislation by participating countries. The international issue is an important one because countries with stringent privacy controls are reluctant to allow data transmission to countries without such controls. Maintaining the flow of transborder data is crucial to U.S.

companies that operate internationally. The Reagan Administration's Commerce Secretary Malcolm Baldrige has commented concerning the OECD guidelines that the "Administration supports the Guidelines. . . [and] considers that it is in the interest of U.S. Corporations to take appropriate steps to endorse the Guidelines."²

Federal Data Banks

The first electronic computer came into existence only some 35 years ago, but the growth of computer use and technology has been phenomenal. Part of that technology has made possible the storage of large amounts of information as well as access to that information. Federal agencies have utilized this characteristic of computer technology for storage of data. According to one estimate there are 800 separate federal data collection systems with one billion separate records on individuals.³ Before the effective date of the Privacy Act, it was estimated that 40 percent of the systems contained records on individuals of which they were not aware, and over 50 percent did not make provision for the individuals to review or request corrections of the records.⁴

Agencies which maintain data banks include the Department of Justice, Internal Revenue Service, Department of Defense, Environmental Protection Agency and the Census Bureau. One can scarcely live without leaving a "data trail" of information throughout federal data banks. Many individuals have become concerned that information processing is only

a step away from surveillance. The impetus for some type of privacy legislation came from many sources. However, the movement gained special momentum from Rep. Gallagher's Special Subcommittee on the Computer and Invasion of Privacy (1966), Senator Ervin's Subcommittee on Constitutional Rights (1971), the H.E.W. study on Automated Personal Data Systems (1973), and the Watergate incident.⁵

The Privacy Act of 1974

The efforts of legislators resulted in the Privacy Act of 1974. The act is directed at the collection, maintenance, use and dissemination of personal information accumulated by federal agencies. It does not prescribe any limitations or controls for private data file systems. The act is 15 pages long and provides safeguards for the individual; among which is the right to know what records are being collected, the right to prevent records being kept for a particular purpose to be made available for another purpose, and the right to have a copy of records and to request corrections. Federal agencies may maintain records only for necessary and lawful purposes, must keep the information current and must provide proper safeguards. Exemptions from the law must be because of public policy requirements such as for law enforcement agencies.

Another provision of the law requires federal agencies to periodically publish the names of those listed in its files. Federal agencies are barred from tracking religious or political activities unless required to do so by law. No federal, state or local government agency can set up a new information system based on the use of social security numbers. Federal agencies cannot sell or rent data bank information.

An important provision of the Privacy Act of 1974 was the establishment of the Privacy Protection Study Commission. This seven-member commission operated for two years and was charged with studying the problem of privacy in the private sector. The culmination of the PPSC's work was a 654-page report entitled "Personal Privacy in an Information Society" which recommended the strengthening of privacy controls in many areas.

Legislation for the Private Sector

A host of bills affecting privacy in the private sector has been introduced in Congress. Three days after the PPSC report was issued, Representatives

Goldwater and Koch introduced ten bills designed to implement the Commission's recommendations. Other legislation affecting some specific aspect of privacy or affecting particular industries has been introduced and some has passed. Comprehensive legislation in the privacy area has also been introduced but has not become law. One comprehensive bill was the "Comprehensive Right to Privacy Act" which was also authored by Goldwater and Koch. This bill was introduced even before the PPSC completed its work. A later effort was "The Omnibus Privacy Act of 1977" which was introduced by Representative Pryor.

Although the general trend of the Reagan Administration has been away from government controls, the official position of the Administration as reflected in the 1980 Republican Platform is that, "Government in recent years, particularly at the federal level, has overwhelmed citizens with demands for personal information. . . There must be protection against its misuse or disclosure. . . The Republican Party commits itself to guaranteeing an individual's right of privacy."⁶ This seems to reflect a sympathetic attitude, if not a commitment, to privacy legislation.

Some legislation that has been passed in the privacy area is the Family Educational Rights and Privacy Act which affects higher education, and the Fair Credit Reporting Act which was in effect four years before the Privacy Act of 1974.

Other efforts to institute privacy controls are being made by states, private organizations and international groups. On the state level in 1976, 218 privacy bills were introduced and 26 passed. In 1977, 353 were introduced and 48 passed.⁷ Data Processing Management Association has outlined standards for its members who use personal data. The National Association of State Information Systems also has taken a strong stand in favor of privacy controls.⁸

International Privacy Controls

On the international scene Sweden was the first country to enact privacy legislation; and regulation of computer data banks is under the jurisdiction of a nine-member privacy control board.⁹ Since Sweden's law went into effect, many other countries have also enacted laws to ensure privacy or data protection as it is usually called. The Council of Europe has adopted a treaty which requires its members to adopt data protection laws. The U.S. is not a member of the Council of Europe. However, the U.S. did participate in setting up guidelines for privacy for members of the Organization for Economic Cooperation and Develop-

ment. These guidelines allow self-regulation by private sector organizations as one acceptable method of ensuring privacy. The Reagan Administration has endorsed these guidelines.¹⁰

The problem in the international sector is that countries with rigid laws governing data protection will not permit transmission of personal data to countries without similar prohibitions. In Norway the Data Inspectorate must be notified every time personal data is transferred to another country. In Brazil government authorization is required before any international data links are set up.¹¹ Countries without privacy legislation operate at a disadvantage in international markets.

In truth, the issue is broader than privacy. Some countries are reluctant to see data transmission out of their countries because they see this as assisting in economic domination from foreign sources. However, whether privacy is the true issue or merely an excuse, disadvantages to U.S. companies operating internationally are very real.

Private Data Banks

Private data banks have proliferated greatly in the last 30 years as have federal data banks. Dr. Willis H. Ware, who was a member of the study group which laid the groundwork for the Privacy Act of 1974 and who served on the Privacy Protection Study Commission, discussed this proliferation at an IBM seminar. Dr. Ware pointed out that in the 1950s computers had only an indirect effect on people, operating largely in one or two departments in a company. In the 1960s computers affected the business affairs of the company and to limited extent, the customers. In the 1970s Dr. Ware says the computer came out of the back room and directly affected the customer such as in making reservations for hotels, airlines, and automobiles.¹²

Extensive personal files are maintained by insurance companies, credit companies, hospitals, and educational institutions to name a few. Most large companies maintain some records of a personal nature, if only on employees or customers.

Cost of Privacy Controls

Dr. Robert Goldstein who worked on the design of large computer systems and advanced approaches to data base management on M.I.T.'s Project MAC and the Lawrence Livermore Laboratory, commented,

... it now seems safe to assume that any organization that maintains records about individually identifiable people—even its own employees—will soon operate in a regulated environment. Given this situation, the appropriate questions are not "Should there be privacy legislation?" or "Will my company be affected?" but "What specific steps will my installation have to take in order to comply?" and "How much will it cost?"¹³

In order to answer the cost question, Dr. Goldstein prepared an analysis of six data systems including one in medicine, credit, insurance, personnel applications and two in law enforcement. Goldstein's study showed the start-up costs would range from a low of \$141,000 for the personnel applications in which there were 10,000 subjects and 50,000 transactions per year to a high of \$1,408,000 for the credit firm in which there were 35,000,000 subjects and 10,000,000 transactions per year. Annual privacy costs would range from 8% of previous annual operating cost for one law enforcement system to 220% for the other law enforcement system. The extremely high cost for the second law enforcement was attributed to the fact the system was very new. The second highest annual percentage cost was 73% of previous annual operating costs which occurred for the credit system. The increase in computer processing time was a low of 0.01 hours for the personnel system to a high of 13.45 hours for the credit system.¹⁴

Goldstein sees the possibility of reducing the cost per transaction in large, heavily used systems with the goal in mind of passing this cost savings on to the consumer. However, he foresees that organizations with a small amount of data or organizations which have data that they do not use very often may find the costs prohibitive. These latter organizations may have to stop maintaining their own files and rely on service bureaus instead.¹⁵

Cost of Government Privacy Controls

One encouraging note on the cost problem is that government privacy control costs have been significantly less than anticipated. The Office of Management and Budget (OMB) had estimated that operating costs for the first few years would be \$200-\$300

million. Actual operating costs were \$36.6 million for September 27, 1975 through September 30, 1976, or about 15 percent of the estimate. The Office of Management and Budget estimated the start-up costs at \$100 million spread over the first two years while the actual start-up costs from January 1, 1975, through September 30, 1976, were only \$29.5 million. The OMB statistics were based on data from 85 of 88 agencies surveyed. (One nonrespondent was the Commission on Federal Paperwork.) The largest single operating cost was granting individuals access to their records (29 percent of the total). The largest single start-up cost was publication requirements including developing agency rules and publishing notices of systems and records maintained (46 percent of the total).¹⁶

A somewhat later study by the General Accounting Office showed that 13 federal agencies spent almost \$36 million in the three-year period 1975-77 in handling Privacy Act and Freedom of Information Act requests for information. The GAO projected that the number of access requests would increase by 85 percent between 1977 and 1982 and that that costs were likely to increase at least 24 percent.¹⁷

A Course of Action

In spite of the fact that comprehensive privacy legislation in the private sector has not been passed, there is enough specialized and state legislation to cause concern for the average business. What can be done to assure that privacy issues do not become a problem?

One obvious measure is to stop collecting data that is not needed. IBM evaluated the data it was gathering on its employees a few years ago and decided to eliminate unnecessary information.¹⁸ The more information that is gathered, the more exposure there is to liability.

Particularly due to the fact that companies deal with piecemeal legislation, another good idea is to appoint an executive to keep tabs on developments in the area and, in effect, become the company expert on privacy matters. The executive can follow the testimony at hearings and watch developments in the Federal Register as well as becoming familiar with state legislation. Some published sources on privacy issues are also available such as Robert Ellis Smith's "Privacy Journal".¹⁹

Another suggestion to companies that keep some records in hard-copy form is to consider converting them to computer form. Whether information is kept

on disks, tape, or some other computer-readable form, it is still less accessible than hard-copy form. Since many of the present privacy problems were created by the enormous data storage capacities of computers, it is nice to sound a positive note about their use. Norman Statland of Price Waterhouse says that computer systems "provide a form of privacy protection which cannot be matched in any other media."²⁰ He adds that computer-generated activity logs which record each use of a record are a significant deterrent to nonessential use.

It seems likely that companies will be required to institute more stringent privacy controls over their data bases of personal information in the future. Privacy controls fall in the general category of administrative internal controls and are, therefore, the concern of general management and auditors as well as data processing managers. Company executives must begin thinking about the installation of such controls. New systems which are currently being designed should be designed with reasonable privacy controls. Old systems should be evaluated for danger spots and corrective measures considered.

FOOTNOTES

¹Robert J. Bradley, "Privacy: What King and How Tight the Lock," *Data Management*, Vol. 18, No. 5 (May 1980), p. 57.

²Arthur A. Bushkin, "The Threat to International Data Flows," *Business Week*, No. 2699 (Aug. 3, 1981), p. 11.

³John W. O. Williams, "Data Banks," *Data Management*, Vol. 13, No. 7 (July 1975), p. 25.

⁴*Ibid.*

⁵Hank E. Koehn, "What the Privacy Act Means to Business," *Journal of Systems Management*, Vol. 26, No. 6 (June 1975), p. 12.

⁶William G. Dearhammer, "Commercial Credit Information and Privacy Legislation—An Update," *Journal of Commercial Bank Lending*, Vol. 63, No. 10 (June 1981), p. 50.

⁷Jerome L. Roderick, "Privacy—Not Just a Consumer Issue," *Journal of Commercial Bank Lending*, Vol. 61, No. 1 (Sept. 1978), p. 35.

⁸Williams, *op. cit.*, p. 28.

⁹*Ibid.*, p. 27.

¹⁰Bushkin, *op. cit.*, pp. 10-11.

¹¹*Ibid.*

¹²"Computers, Privacy Create Social Issues," *Info-systems*, Vol. 22, No. 11 (Nov. 1975), p. 18.

¹³Robert C. Goldstein, "The Costs of Privacy," *Detamation*, Vol. 21, No. 10 (Oct. 1975), p. 65.

¹⁴*Ibid.*, pp. 65-68.

¹⁵Goldstein, *op. cit.*, pp. 66-67.

¹⁶Becky Barna, "OMB Overestimates High Costs of Privacy," *Computer Decisions*, Vol. 9, No. 5 (May 1977), p. 6.

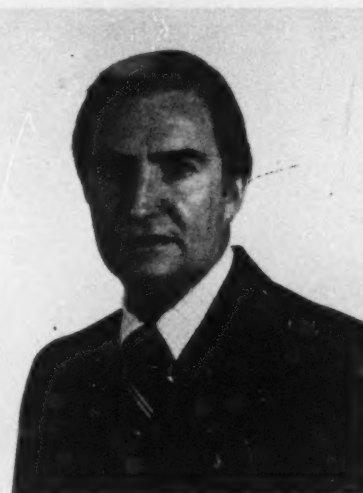
¹⁷"Price of Privacy Is Steep, GAO Study Shows," *Computer Decisions*, Vol. 10, No. 9 (Sept. 1978), p. 11.

¹⁸David Whieldon, "How Much Will 'Privacy' Cost," *Computer Decisions*, Vol. 11, No. 8, (August 1979), p. 58.

¹⁹*Ibid.* "Privacy Journal" is a monthly newsletter available from Privacy Journal, P. O. Box 8844, Washington, D. C. 20003.

²⁰Whieldon, *op. cit.*, p. 62.

MEET THE FACULTY



Dr. Louis E. Dawkins

Director, School of Accountancy

Dr. Louis Dawkins, Director of the School of Accountancy, came to Mississippi State University from Henderson State University in Arkadelphia, Arkansas. There he was the Dean of the School of Business.

A true-blue Razorback, Dr. Dawkins received his B.B.A. from Arkansas A & M College and his M.B.A. and Ph.D. from the University of Arkansas. He is also a Certified Public Accountant in that state.

He has conducted training sessions in Iowa and Arkansas for the American Institute of Certified Public Accountants as well as CPA Review. He was instrumental in writing the proposal and securing the funds for a three year period to study Henderson State University School of Business curriculum, faculty and organizational structure in align with recommendations of the American Assembly of Collegiate Schools of Business.

Dr. Dawkins holds membership in Beta Alpha Psi, Alpha Kappa Psi, American Institute of Certified Public Accountants and the American Accountants Association.

He, his wife, Anita, and sons, Roben and Randy, are members of Faith Baptist Church. This summer, his "spare time" was spent gardening, landscaping or water-skiing with his sons.

NEW AND EXPANDED INDUSTRY

Town Firm Product	No. of Employees
NEW	
Olive Branch K-S-H, Inc. Plastic Conversion & Extrusions	8
Meucci Originals, Inc. Cue Sticks	7
Oxford B&B Concrete Precast Concrete Products	75
EXPANDED	
Booneville H & W Industries Plastic Pipe & Siding	100
Saltillo Container Engineering Cardboard & Wood Containers	10
Tupelo Blue Bell, Inc. Boys' Wear	125

Tourist Briefs

Mistletoe Market

November 3 and 4



Mistletoe Marketplace is a Christmas fair that has become a shopping spree to remember. It will begin its second dazzling year on November third and extend through November fourth. The Junior League of Jackson boasts fondly of its fund-raising project that will bring sixty-five merchants from seventeen states to Jackson. Most of the Southern states are represented as well as Michigan, Hawaii, Iowa, Maine, Wisconsin, Indiana, and Illinois; and of course, many local merchants will be involved in Mistletoe Marketplace too. The variety of merchandise adds to the excitement of the event with Christmas linens, antique jewelry, peppermint baskets, Latin American art, handmade furniture, sporting equipment, oriental accessories, antique linens, miniatures and Christmas ornaments—as well as honey, cheeses, nuts, candies, and plum pudding! There will be something for everyone's taste, and in many price ranges.

The Marketplace will be held at the Mississippi Trademart which will be transformed into a glittering wonderland of holiday sights and shopping avenues. As highlights of Mistletoe Marketplace, the Junior

League will offer a tearoom, serving lunch daily; holiday choirs; a childcare booth for shopping parents; and several holiday workshops during the two day extravaganza. On the evening of November third, a special night for children has been designated. A special booth for young shoppers called "Grandma's Attic" has been created with items modestly priced so that children can do their own buying for parents, teachers, and friends. There will also be children's entertainment and a family supper which will promise a fun evening for all.

The proceeds from Mistletoe Marketplace will support projects which the Junior League presently sponsors with both funds and volunteer workers. The Junior League projects provide rewarding experiences as the Junior League worker interacts with individuals and associations within the community as follows:

DREAM—"Drug Research and Education Association of Mississippi" DREAM works with the problem of teenage drug abuse and works to educate the communities and inform parent groups.

ROCKIN' MAMAS—A group of League women who work with hospitals to give stimulus and affection to premature babies brought to Jackson for intensive care via the "Neonadle Cradle" which the Junior League gave to the city of Jackson.

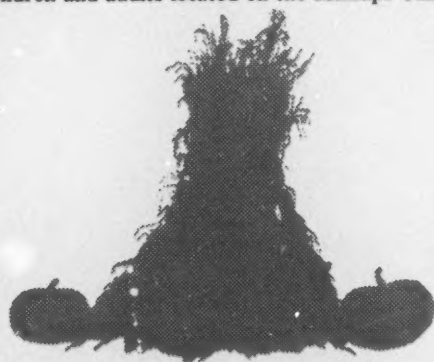
PUPPETRY—A group of Junior Leaguers who use the art of puppetry as an educational tool in the school systems and in the hospitals.

WOMEN'S RESOURCE CENTER—A referral and counseling center for women in transition after a divorce or death of spouse was begun by the Junior League in conjunction with the YWCA.

ZOO DOCENTS—A team of ladies who give educational tours of the zoo and work within the schools to educate children on animal behavior.

BATTERED WOMEN'S SHELTER—Volunteers work with battered women offering job service and basic life skill courses.

CHIMNEYVILLE SCHOOL—A craft school for children and adults located on the Millsaps Campus.



INDEXES OF SELECTED MISSISSIPPI
ECONOMIC INDICATORS
(Seasonally Adjusted)
1969=100

Indicator	August 1982	July 1982	August 1981
Retail Sales	150.5	164.0	158.8
Electric Sales	205.6	197.2	204.5
Telephones in Service	225.9	227.0	230.5
Gasoline Gallonage	136.3	225.9	140.7
Loans of Savings & Loan Institutions	46.6	14.4	71.6

Spotlighting Small Business in Mississippi

W. A. Taylor Galleries
Louisville, Mississippi



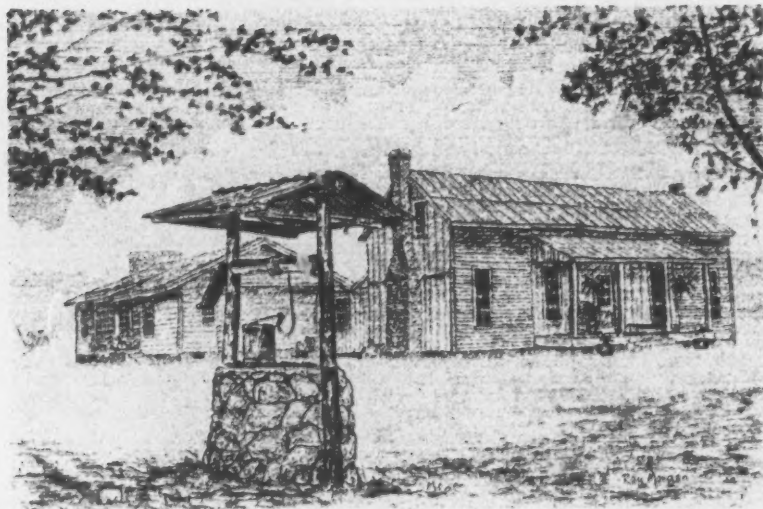
Bill and Mitzi Taylor

The W.A. Taylor Galleries and Art Village is a major addition to the cultural life of Louisville, Mississippi, east central Mississippi and the entire nation. They are the fulfillment of a dream of W.A. "Bill" Taylor, Jr. to find, encourage and promote some of America's finest contemporary artist. Taylor is chairman of the board and president of Taylor Machine Works, Inc., a leading manufacturer of heavy industrial trucks based in Louisville, Miss. As he explains it, Taylor had a vision of a method of seeking out some of America's most talented artist and then offering their works to an art-appreciative audience.

Through the Galleries' Gold Medallion Collection, magnificent examples of contemporary art capturing the spirit and beauty of the American scene are available to the expanding art-sensitive public. Original works in bronze, oils, acrylics, water colors and wood, as well as stone lithographs and other limited-edition prints, are included in the collection. Although depiction of America, her people and wildlife is a common thread running through the entire

Spotlighting Small Business in Mississippi

W. A. Taylor Galleries Louisville, Mississippi



collection, each work is as unique as the artist who creates it.

Base for the Galleries is the Art Village, located north of Louisville. In itself the Village is one of the most unique characteristics of the Taylor Galleries program. Located on a 32-acre site, the Village is, in essence, an art colony. Its history is a testament to some of the strengths of the American lifestyle and heritage reflected in the fine artworks of the Gold Medallion Collection.

Established by Joseph McCully as family homestead more than 150 years ago, the site served as a working farm to support the family for many years. The renovated residence, which is the site of the main Gallery, is more than 100 years old. In restoring the building, Taylor sought to maintain its charm and unique character while making it a suitable home for the galleries.

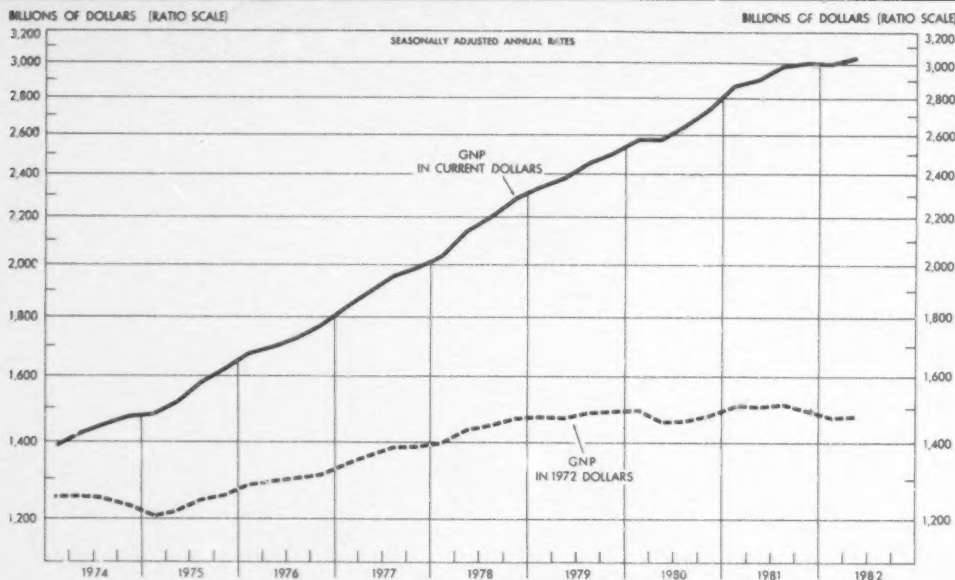
In addition to this main building, several residential structures surround the Village pond. One is the home of the staff artist for the Galleries. Several cabins are available for use as temporary residences for artists who will be brought to the Village to pursue their work for specific periods of time. A variety of storage and workshop areas are available to provide support activities such as framing and, eventually, a foundry for casting bronze works.

In addition to providing a cultural center in Louisville, and modern marketing program which stretches throughout the nation, W.A. Taylor Galleries maintains a continuing program of art exhibition and education. The Galleries exhibits at some of the major shows in the United States each year, as well as hosting and co-hosting special exhibitions in different areas of the country.

TOTAL OUTPUT, INCOME, AND SPENDING

GROSS NATIONAL PRODUCT

According to revised estimates for the second quarter of 1982, gross national product rose \$49.7 billion or 6.8 percent, both at annual rates. Real output (GNP adjusted for price changes) rose 2.1 percent, annual rate, and the implicit price deflator rose at a 4.6 percent annual rate.



SOURCE: DEPARTMENT OF COMMERCE

COUNCIL OF ECONOMIC ADVISERS

[Billions of current dollars; quarterly data at seasonally adjusted annual rates]

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment	Exports and imports of goods and services			Government purchases of goods and services				Final sales	
				Net exports	Exports	Imports	Total	Federal				State and local
								Total	National defense	Non-defense		
1971.....	1,077.6	672.2	166.4	4.1	68.8	64.7	234.9	96.2	70.2	26.0	138.7	1,070.0
1972.....	1,185.9	737.1	195.0	.7	77.5	76.7	253.1	101.7	73.1	28.5	151.4	1,175.7
1973.....	1,326.4	812.0	229.8	14.2	109.6	95.4	270.4	102.0	72.8	29.1	168.5	1,307.9
1974.....	1,434.2	888.1	228.7	13.4	146.2	132.8	304.1	111.0	77.0	33.9	193.1	1,420.1
1975.....	1,549.2	976.4	206.1	26.8	154.5	128.1	339.9	122.7	83.0	39.7	217.2	1,556.1
1976.....	1,718.0	1,084.3	257.9	13.8	170.9	157.1	362.1	129.2	86.0	43.2	232.9	1,706.2
1977.....	1,918.3	1,204.4	324.1	-4.0	182.7	186.7	393.9	143.4	92.8	50.6	250.4	1,895.3
1978.....	2,163.9	1,346.5	386.6	-1.1	218.7	219.8	431.9	153.6	100.3	53.3	278.3	2,137.4
1979.....	2,417.8	1,507.2	423.0	13.2	281.4	268.1	474.4	168.3	111.8	56.5	306.0	2,403.5
1980.....	2,633.1	1,667.2	402.3	25.2	339.2	314.0	538.4	197.2	131.4	65.8	341.2	2,643.1
1981.....	2,937.7	1,843.2	471.5	26.1	367.3	341.3	596.9	228.9	153.7	75.2	368.0	2,917.3
1980: III.....	2,643.7	1,682.0	384.1	39.0	337.2	298.2	538.5	193.3	130.5	62.8	345.2	2,664.8
IV.....	2,739.4	1,745.8	410.3	23.5	346.7	323.2	559.8	207.0	138.1	68.9	352.8	2,757.1
1981: I.....	2,864.9	1,799.9	455.7	31.2	365.4	334.2	578.1	217.0	143.1	73.9	361.1	2,852.7
II.....	2,901.8	1,819.4	475.5	23.7	368.9	345.1	583.2	218.2	150.5	67.7	365.0	2,877.2
III.....	2,980.9	1,868.8	486.0	25.9	367.2	341.3	600.2	230.0	154.4	75.7	370.1	2,949.1
IV.....	3,003.2	1,884.5	468.9	23.5	367.9	344.4	626.3	250.5	166.9	83.6	375.7	2,989.9
1982: I.....	2,995.5	1,919.4	414.8	31.3	359.9	328.6	630.1	249.7	166.2	83.5	380.4	3,031.1
II.....	3,045.2	1,947.8	431.5	34.9	365.8	330.9	630.9	244.3	176.2	68.2	386.6	3,061.4

Source: Department of Commerce, Bureau of Economic Analysis.

STATE ECONOMIC INDICATORS

Indicator	August 1982 ¹	July 1982 ²	August 1981 ²	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	920,400	932,800	962,800	- 1.3	4.4
Non-Ag Employment	782,700	789,600	813,000	- 6.9	-30.3
Mining	12,700	12,800	13,100	- .1	- .4
Contract Construction	40,000	39,500	43,800	+ .5	- 3.8
Manufacturing	205,800	206,500	223,500	- .1	-17.7
Transportation and Public Utilities	40,200	40,400	40,600	- .2	- .4
Wholesale and Retail Trade	163,200	163,100	164,900	+ .1	- 1.7
Finance, Insurance and Real Estate	33,000	33,100	33,400	+ .1	- .4
Service	117,600	120,600	118,400	- 3.7	- .8
Government	170,300	173,500	175,300	- 3.2	- 5.0
Unemployment Rate (Per Cent Labor Force)	12.1	11.2	8.2	---	---
Average Weekly Earnings in Manufacturing (Dollars)	251,160	243,590	237,400	3.1	5.8
Average Hourly Earnings in Manufacturing (Dollars)	39,000	38,300	39,500	1.8	- 1.3
Average Weekly Hours in Manufacturing	6,440	6,360	6,010	1.3	7.2
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,457	2,781	2,821	-11.7	-12.9
Gasoline Delivered to Dealers (gals.) ⁶	114,659	125,329	119,289	-8.51	-3.88
BANKING AND FINANCE (\$000's)					
Loans of Savings and Loan Associations ⁷	9,301,000	2,183,000	13,700,000	326.01	-32.11
Construction Loans	92,000	700,000	1,200	-86.9	-92.3
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	2,213,149	2,127,679	2,201,272	4.02	0.54
Telephones in Service (Number) ⁹	1,498,606	1,505,676	1,528,894	- 0.5	- 2.0
RETAIL SALES (\$000's)¹⁰					
	1,396,430	1,407,311	1,396,823	- 0.8	0
Indicator	May 1982	April 1982	May 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (\$000's)¹¹					
Total Cash Receipts from Farm Marketings	96,437	112,317	91,537	-14.1	5.4
Cash Receipts from Marketing Livestock	65,097	80,803	70,858	-19.4	- 8.1
Cash Receipts from Marketing Crops	31,340	31,514	20,679	- 0.6	51.6

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for April

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹South Central Bell Telephone Company

¹⁰Mississippi Tax Commission

¹¹U. S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month August	Per Cent Change Month Ago	Year Ago	Current Month August	Per Cent Change Month Ago	Year Ago	Current Month August	Per Cent Change Month Ago	Year Ago
Aberdeen	6,226	-36.3	-26.1	46,840	4.4	-1.1	72,762	112,250	80,200
Baldwyn	4,630	-0.9	-2.6	21,385	-2.5	9.5	---	---	---
Batesville	9,135	-0.5	-1.1	57,853	-7.7	-1.2	20,800	28,300	3,500
Bay Springs	---	---	---	20,093	-13.9	-13.6	---	---	---
Bay St. Louis	14,603	0.4	4.4	39,899	5.4	13.8	81,700	136,700	122,101
Belmont	2,322	-0.5	-3.4	9,885	5.9	-14.6	---	---	---
Belzoni	4,985	-0.9	-3.4	29,396	-8.7	0.5	30,500	5,000	38,700
Biloxi	45,076	-0.8	-2.4	315,522	-0.8	-13.2	1,174,963	348,185	500,282
Brandon	11,424	-0.1	0.4	40,704	4.7	11.3	98,400	---	646,200
Brookhaven	15,595	-0.6	-3.1	110,033	-3.6	-4.2	106,500	772,440	69,000
Brooksville	1,331	-0.7	2.0	2,916	15.4	9.3	---	---	---
Canton	10,955	-0.8	-1.2	62,578	8.7	3.7	97,669	74,423	62,434
Carthage	7,398	-0.2	-1.9	41,418	14.1	-6.3	---	---	---
Charleston	4,125	-0.8	-3.0	16,918	-8.6	-15.6	---	---	---
Clarksdale	19,896	-0.9	-4.9	123,843	-1.6	-1.1	---	---	---
Cleveland	13,373	0.2	-4.0	97,450	-1.0	-3.2	---	---	---
Collins	4,733	-0.4	0.8	23,588	-27.4	-1.9	271,400	---	109,230
Columbia	16,207	-0.3	0.1	100,873	-5.0	18.3	---	---	---
Columbus	32,840	-0.9	-3.3	218,256	-0.0	1.2	404,155	384,737	286,838
Corinth	20,465	-0.8	-3.5	119,711	5.5	10.4	196,630	78,253	205,385
Crystal Springs	5,916	-0.9	-1.0	25,736	-12.7	7.8	53,000	49,000	171,500
Drew	2,898	-0.4	3.7	10,263	-10.0	-5.8	---	---	---
Edwards	1,720	0.3	-0.9	3,654	1.9	-8.5	78,850	---	15,000
Ellisville	3,997	---	-2.4	16,746	-2.8	3.9	---	---	---
Eupora	4,409	-0.9	-1.1	16,230	12.0	0	---	---	---
Fayette	3,360	-0.7	-0.2	11,383	30.1	22.7	---	---	---
Forest	5,058	-0.0	-1.6	52,915	4.5	-4.1	179,500	537,000	---
Greenville	36,337	-0.8	-2.9	241,788	2.3	-3.3	---	---	---
Greenwood	23,230	-0.5	-5.1	145,417	1.6	-12.0	176,200	200,700	24,400
Grenada	14,135	-0.3	-2.1	86,153	0.3	-0.2	64,000	506,000	34,000
Gulfport	62,568	-0.6	-1.0	290,053	-0.7	6.3	841,706	614,510	504,261
Hattiesburg	70,722	-0.3	-1.4	366,551	1.5	5.1	1,585,792	984,541	711,634
Hernando	7,434	-0.2	-0.3	26,887	1.4	8.9	6,700	---	---
Hollandale	3,349	-0.7	-1.2	13,206	-21.9	-5.8	---	---	---
Holly Springs	7,692	-0.5	-0.6	40,924	1.0	-9.7	77,500	7,000	199,000
Houston	5,615	-0.9	-1.7	24,696	-20.0	-12.3	---	---	---
Indianola	7,854	-0.5	-1.6	64,445	-1.5	-2.1	---	---	---
Iuka	5,313	-1.5	-8.6	28,423	0.4	-32.7	---	---	---
Jackson	226,703	-0.6	-2.0	1,470,388	0.1	3.6	6,419,784	3,579,679	3,611,332
Kosciusko	4,220	-0.7	-3.4	57,321	8.9	3.8	198,100	110,700	95,800
Laurel	35,527	-0.7	-1.2	299,595	-0.8	-22.2	769,527	322,903	730,504
Leland	5,279	-0.6	-1.1	20,576	-14.2	-4.0	---	---	---
Lexington	4,930	-0.3	-0.0	18,753	-5.9	-7.1	---	---	---
Louisville	10,528	-0.8	-2.5	49,509	-12.7	-9.7	103,930	295,538	---
Lucedale	8,516	-0.2	-1.5	35,911	-0.8	2.5	123,200	12,700	28,000
Lumberton	2,929	-0.3	-0.3	7,113	-23.5	-20.4	---	---	---
Macon	3,761	-0.7	0	16,935	4.9	11.1	---	---	---
Magee	5,507	-0.3	-0.4	43,320	4.4	1.9	---	---	---
Magnolia	4,265	-1.1	-2.5	10,207	14.8	0.3	16,000	8,700	7,800
Marks	5,307	-0.7	-4.4	16,808	0.6	3.0	---	---	---
McComb	19,894	-0.6	-2.1	131,600	-4.1	2.1	79,645	164,900	111,520
Meadville	---	---	---	5,008	-0.4	0	---	---	---
Mendenhall	6,664	-0.4	-0.4	20,767	5.2	13.7	---	40,000	2,000
Meridian	46,588	-0.8	-3.8	344,990	-4.1	5.4	524,979	790,613	376,385
Monticello	5,070	-0.5	-0.7	19,759	6.6	3.4	83,000	943,000	70,350
Morton	3,642	-0.1	0.4	18,983	-2.1	13.2	124,910	223,078	2,219,859
Moss Point	16,424	-1.0	-0.6	49,995	-6.4	4.7	---	---	---
Natchez	30,409	-0.6	-0.5	211,976	-5.8	-12.8	99,500	104,418	600,436
New Albany	11,390	-0.1	-1.5	57,305	2.3	3.9	124,700	91,000	178,000
Newton	4,141	-0.6	-0.1	23,751	2.5	1.5	64,840	37,400	44,400
Ocean Springs	15,667	-0.8	-3.1	78,316	8.5	12.7	---	---	---
Okolona	3,374	-1.0	-3.1	15,519	5.8	8.2	1,085,341	1,000	---
Oxford	21,118	2.8	-1.4	82,749	4.4	0.7	173,800	332,595	66,920
Pascagoula	37,247	-0.5	2.2	208,955	-0.1	13.2	---	---	---
Pass Christian	5,767	-1.6	0.9	16,442	10.4	57.1	280,927	---	162,365
Philadelphia	11,754	-0.5	-1.3	61,175	9.6	9.3	---	---	---

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month August	Per Cent Month Ago	Change Year Ago	Current Month August	Per Cent Month Ago	Change Year Ago	Current Month August	Per Cent Month Ago	Change Year Ago
Picayune	16,136	-0.6	-0.5	86,510	- 1.7	10.0	359,250	266,400	---
Pontotoc	9,375	-0.8	-2.2	41,867	0.5	16.3	---	---	---
Poplarville	4,309	-0.1	1.0	14,635	-25.6	- 5.7	---	---	---
Port Gibson	6,059	-0.4	1.4	16,514	5.6	3.3	---	---	---
Prentiss	---	---	---	21,865	9.7	3.5	121,500	1,500	33,600
Quitman	4,986	-0.5	-0.8	24,312	1.9	-18.7	---	---	---
Raymond	3,288	3.9	1.0	4,446	- 5.2	-16.5	---	---	---
Richfon	1,941	-0.5	-3.2	9,409	- 0.6	3.1	61,780	20,000	40,000
Rosedale	1,543	-0.2	-3.6	7,472	- 6.4	- 6.6	---	---	---
Ruleville	1,918	-0.3	-0.9	14,390	8.0	- 0.8	---	---	---
Sardis	3,151	-0.2	-10.5	19,920	1.9	5.7	6,000	43,000	2,000
Senatobia	6,888	-0.9	-0.9	46,443	2.9	13.2	---	700	84,000
Shelby	1,585	-0.1	-3.2	10,524	0.1	- 9.4	---	---	---
Starkville	15,371	0.7	-39.5	91,087	- 3.9	- 2.7	38,507	57,284	451,487
Summit	1,689	-0.3	-0.7	10,546	12.8	- 5.5	---	---	---
Tailorsville	1,608	-0.1	-0.2	11,739	- 5.2	- 2.5	---	---	---
Tchula	1,957	-0.6	-2.9	4,884	23.3	- 4.7	---	---	---
Tunica	4,178	-1.5	-3.1	16,974	- 1.7	- 5.7	---	---	---
Tupelo	37,425	-0.7	-2.5	298,209	- 2.2	-16.2	673,949	415,668	521,794
Union	2,920	-0.0	2.2	13,332	- 2.7	-22.4	---	---	---
Utica	3,122	-1.1	-0.8	9,028	-13.2	- 0.9	---	---	---
Vicksburg	38,501	-0.7	-2.9	197,154	- 6.3	- 1.9	257,189	94,360	178,131
Walnut Grove	1,072	0.2	0.7	1,304	- 5.5	-29.2	---	---	---
Water Valley	4,173	-0.5	-2.3	24,903	- 1.5	2.3	---	---	---
Waynesboro	7,899	-0.4	-0.3	65,201	25.0	2.7	38,800	20,000	17,000
West Point	12,373	-0.5	-1.9	52,589	7.8	- 1.2	75,000	41,500	297,700
Wiggins	6,343	-0.3	0.1	22,720	- 3.3	5.7	36,000	73,500	---
Winona	4,960	-0.4	-1.2	33,598	1.8	4.9	---	---	---
Yazoo City	12,396	-0.7	-2.5	66,580	5.3	- 5.4	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	August 1982	July 1982	August 1982	Per Cent Change Month Ago	Year Ago
MANPOWER DATA					
Civilian Labor Force	158,400	159,000	159,700	-0.4	-0.8
Unemployed Persons	13,800	13,800	9,800	0	40.8
Per Cent of Labor Force	8.7	8.7	6.1	---	---
Employed Persons	144,600	145,200	149,900	-0.4	- 3.5
Non-Ag Wage & Salaries	123,600	124,000	129,500	-0.3	- 4.6
Manufacturing	19,200	19,300	18,400	-0.5	4.4
TELEPHONES IN SERVICE	246,257	247,546	250,914	-0.5	- 1.9
CITY SALES TAX COLLECTIONS	1,528,219	1,525,949	1,474,355	0.2	3.7
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	68,700	68,880	66,940	-0.3	2.6
Unemployed Persons	6,980	6,410	4,320	8.9	61.6
Per Cent of Labor Force	10.2	9.3	6.5	---	---
Employed Persons	61,760	62,470	62,620	1.1	1.4
Non-Ag Wage & Salaries	51,940	52,490	53,340	1.1	2.6
Manufacturing	9,320	9,470	8,760	1.9	6.4
TELEPHONES IN SERVICE	107,820	114,224	115,134	-5.6	- 6.4
CITY SALES TAX COLLECTIONS	622,017	620,830	646,822	0.2	- 3.9

¹Preliminary

Indicated Sales (Retail and Wholesale) By County (000's)

Source: Mississippi Tax Commission Service Bulletin, Computations by the Division of Business Research, Mississippi State University.

County	1980	% of State	% of Change	1981	% of State	% of Change
Adams	363,236	1.96	13.26	403,407	2.02	11.06
Alcorn	217,715	1.49	32.52	301,063	1.51	38.28
Amite	29,588	0.16	3.75	36,415	0.18	23.07
Attala	108,878	0.59	4.94	115,944	0.58	6.49
Benton	17,860	0.10	16.82	16,329	0.08	- 8.57
Bolivar	235,460	1.27	6.95	255,774	1.28	8.63
Calhoun	64,091	0.34	10.29	62,672	0.03	- 2.21
Carroll	27,222	0.15	27.35	31,794	0.16	16.80
Chickasaw	75,603	0.41	0.02	78,074	0.39	3.27
Choctaw	25,607	0.14	15.08	26,539	0.13	3.64
Claiborne	289,939	1.56	155.02	293,358	1.47	1.18
Clarke	56,956	0.31	7.02	59,278	0.30	4.08
Clay	111,099	0.60	3.57	112,555	0.56	1.31
Coahoma	221,963	1.19	5.68	235,999	1.18	6.32
Copiah	108,185	0.58	0.57	105,949	0.53	- 2.07
Covington	130,208	0.70	34.65	136,816	0.69	5.07
DeSoto	210,939	1.14	19.45	239,075	1.20	13.34
Forrest	684,943	3.69	7.11	712,493	3.57	4.02
Franklin	22,255	0.12	4.28	30,837	0.15	38.56
George	62,945	0.34	22.05	68,229	0.34	8.39
Greene	22,548	0.12	15.19	23,087	0.12	2.39
Grenada	158,049	0.85	2.87	172,226	0.86	8.97
Hancock	122,182	0.66	19.59	161,735	0.81	32.37
Harrison	1,064,951	5.73	6.75	1,149,477	5.77	7.94
Hinds	3,056,701	16.45	5.23	3,108,990	15.59	1.71
Holmes	85,327	0.46	12.82	96,368	0.48	12.94
Humphreys	71,573	0.39	24.93	77,843	0.39	8.76
Issaquena	7,143	0.04	59.94	29,185	0.15	308.58
Itawamba	73,975	0.40	12.51	87,424	0.44	18.18
Jackson	656,558	3.53	19.62	745,475	3.74	13.54
Jasper	77,484	0.42	20.93	83,804	0.42	8.16
Jefferson	22,321	0.12	- 7.96	24,748	0.12	10.87
Jeff Davis	57,182	0.31	22.19	64,887	0.33	13.47
Jones	563,219	3.03	15.46	698,089	3.50	23.95
Kemper	27,933	0.15	25.65	26,464	0.13	- 5.26
Lafayette	139,469	0.75	12.96	151,738	0.76	8.80
Lamar	70,505	0.38	-10.37	89,273	0.45	26.62
Lauderdale	693,997	3.74	9.93	718,157	3.60	3.48
Lawrence	46,143	0.25	12.02	48,513	0.24	5.14
Leake	75,070	0.40	8.63	67,673	0.34	- 9.85
Lee	778,003	4.19	8.04	823,677	4.13	5.87

County	1980	% of State	% of Change	1981	% of State	% of Change
Leflore	312,023	1.68	7.66	333,036	1.67	6.73
Lincoln	208,529	1.12	11.17	226,342	1.14	8.54
Lowndes	426,643	2.30	5.97	941,982	4.72	120.79
Madison	253,885	1.37	20.04	277,820	1.39	9.43
Marion	183,942	0.99	20.88	213,160	1.07	15.88
Marshall	88,563	0.48	1.43	97,657	0.49	10.27
Monroe	235,871	1.27	10.43	230,787	1.16	- 2.16
Montgomery	62,796	0.34	9.26	63,582	0.32	1.25
Neshoba	113,060	0.61	1.94	120,990	0.61	7.01
Newton	80,575	0.43	10.98	84,844	0.43	5.30
Noxubee	52,015	0.28	1.53	53,302	0.27	2.47
Oktibbeha	171,453	0.92	7.26	187,072	0.94	9.11
Panola	158,664	0.86	13.98	163,111	0.82	2.80
Pearl River	144,966	0.78	6.22	152,441	0.76	5.16
Perry	31,608	0.17	21.43	29,542	0.15	- 6.54
Pike	260,415	1.40	4.89	269,002	1.35	3.30
Pontotoc	70,982	0.38	- 0.99	68,929	0.35	- 2.89
Prentiss	107,265	0.58	0.85	108,975	0.55	1.59
Quitman	46,541	0.25	8.37	44,044	0.22	- 5.37
Rankin	524,781	2.82	18.56	559,174	2.80	6.55
Scott	137,045	0.74	14.02	136,936	0.69	- 0.08
Sharkey	42,238	0.23	18.05	45,720	0.23	8.24
Simpson	119,589	0.64	16.24	121,744	0.61	1.80
Smith	41,580	0.22	8.28	42,818	0.21	2.98
Stone	47,410	0.26	15.72	50,123	0.25	5.72
Sunflower	303,513	1.63	13.96	347,711	1.74	14.56
Tallahatchie	62,527	0.34	14.01	66,665	0.33	6.67
Tate	81,406	0.44	6.82	85,821	0.43	5.42
Tippah	115,657	0.62	14.53	126,774	0.64	9.61
Tishomingo	185,751	1.00	45.04	160,862	0.81	-13.40
Tunica	46,102	0.25	12.30	46,251	0.23	0.32
Union	100,545	0.54	5.54	105,381	0.53	4.81
Walthall	58,473	0.31	10.95	56,232	0.28	- 3.83
Warren	396,856	2.14	6.39	368,320	1.85	- 7.19
Washington	511,211	2.75	- 0.47	532,154	2.67	4.10
Wayne	110,719	0.60	19.99	199,903	0.60	8.29
Webster	40,424	0.22	- 3.90	43,106	0.22	6.63
Wilkinson	48,384	0.26	2.59	51,229	0.26	5.88
Winston	95,018	0.51	8.88	98,082	0.49	3.22
Yalobusha	48,966	0.26	5.05	54,700	0.27	11.71
Yazoo	225,651	1.21	15.44	255,561	1.28	13.25
Other	1,230,815	1.24	12.32	---	---	---
TOTALS	18,579,498		10.88	19,937,971		7.31



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Examining the Value of Investment Advice for Individual Investors

by

G. Stacy Sirmans

and

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ABSTRACT

This study provides an analysis of three portfolios each composed of ten common stocks selected by three distinct procedures. The portfolios consist of a set of stocks recommended by a broker in an investment banking firm, a group of stocks recommended by a prominent business magazine, and a random selection of stocks. A computer program is used to determine the most efficient combinations of the individual securities within each portfolio in terms of risk and return.

The optimal portfolio from each set of stocks is chosen from the most efficient combinations of each set, i.e., from the efficient frontier by maximization of the geometric mean. The results show that the portfolio consisting of stocks recommended by the business publication outperformed both the broker's selection and the random portfolio in terms of total risk and systematic risk.

The results also show that when ignoring transactions costs and fees for investment advice the broker recommended portfolio just barely outperforms the random portfolio. This implies that when these costs are considered, the random portfolio could conceivably outperform the broker recommendation.

The value of professional investment management in securities investing has been a matter of debate for some time. Clearly, the issue is the ability of the professional securities analyst to discern investment opportunities which allow a client to earn above average portfolio rates of return. Some studies have concluded that superior investment strategies have come forth from investment analysts (2,4,10,11,14). Other research concludes that the time and monetary expenditure of investors on professional analysts recommendations is virtually wasted (1,5,6,9,12,13,15,16,17).

This study is a comparison and analysis of three portfolios each composed of ten common stocks selected by three distinct procedures which characterize the respective portfolios. This analysis should serve to supplement the variety of research concerning the value of professional investment management (both commissioned and noncommissioned) relative to a random method of selection. The portfolios consist of (1) a portfolio of stocks recommended by a broker in an investment banking firm, (2) a group of stocks recommended by a prominent business magazine, and (3) a portfolio of randomly selected stocks. A computer program will be utilized to determine the most efficient combinations of the individual securities within each portfolio in terms of expected return and risk. Given this, a comparison can be made across portfolios to determine that portfolio which performed best.

SECURITY ANALYSIS

The first portfolio is termed "Broker." "Broker" has the characteristics of being recommended by a broker in an investment banking firm, and of being chosen for an institutional investor. These two characteristics are of some significance for the following analysis. The first fact indicates that this portfolio was professionally chosen and that the investor was expected to have paid some price (commission) for this service. Any superior return is that which the portfolio earned beyond the price paid for the broker's advice. The second point is that an institutional investor often will not (or cannot) assume as much risk (in order to stay liquid) as an individual investing in his or her personal portfolio. By reviewing the stocks in the "Broker portfolio" it is easy to note that this institutional investor is no exception. The direct relationship which exists between a security's risk and return means that the institutional investor is more likely to accept lower returns which are associated with lower risks rather than assume higher risks to increase returns.

The second portfolio is a set of stocks recommended by a business magazine and is referred to as "Recommend." These stocks are rated based on a 5-year average of return on equity in order to examine only consistently profitable companies. Risk obviously varies from one company to the next but excessive risk for any length of time assumed by any company would make it unlikely for the company to keep earning among the top returns during a five year period. Therefore, any "one-shot wonders" would be filtered out and companies capable of yielding more reliable returns would be selected.

The third portfolio is a random selection of stocks and is referred to as "Random". The choice of securities is based neither on the investor's own knowledge of factors influencing particular security returns nor on any outside advice. This ten-stock sample includes several different industries and may through naive diversification reduce some of the risk of its individual securities when held in combination.

PORTFOLIO RISK AND RETURN

A portfolio must be constructed; i.e., even in the case of random selection, a set of efficient portfolios should be determined from the various securities being examined. The tradeoff which exists between risk and return means that an efficient portfolio will be one which is expected to achieve the highest level of return per level of risk accepted or the lowest level of risk per level of accepted. It is reasonable to assume that a risk-

averse, wealth maximizing investor will seek to select a portfolio from the set of efficient portfolios.

A portfolio's expected return is

$$(1) E(R_p) = \sum_{i=1}^n W_i E(R_i)$$

where

$E(R_p)$ = the expected return on the portfolio,

W_i = the proportion invested in security i , and

$E(R_i)$ = the expected return on asset i .

The risk of a portfolio is a measure of variability around the expected return and is given by the standard deviation

$$(2) \sigma_p = \sqrt{\sum_{i=1}^n \sum_{j=1}^n W_i W_j \text{COV}_{ij}}$$

where W_i = proportion invested in asset i ,

W_j = proportion invested in asset j , and

COV_{ij} = covariance of assets i and j .

It is clear that a portfolio's risk will depend on the interrelationships or covariances between securities in the portfolio. The covariance is a measure of the degree to which two variables move together and is related to the correlation coefficient such that

$$(3) \text{COV}_{ij} = P_{ij} \sigma_i \sigma_j$$

where P_{ij} = the correlation coefficient of assets i and j ,

σ_i = the standard deviation of i ,

σ_j = the standard deviation of j .

Modern portfolio theory deals with risk by constructing an efficient frontier. An efficient frontier is composed of all those portfolios which possess the common characteristic of having the highest return per given level of risk. In order to develop an efficient portfolio and therefore achieve an efficient frontier, a portfolio comprised of securities which have a correlation of less than '1' are most preferable. A correlation of '1' in-

icates that two securities will react indentially to a given market stimulus; therefore holding these two securities would not reduce the risk of the portfolio. Once all possible efficient portfolios have been constructed an efficient frontier emerges. The portfolios represented along the efficient frontier are superior in their return/risk to any other possible combinations and are therefore ideal for any investor wishing to invest in a risky portfolio.

PORTFOLIO SELECTION

Once a set of efficient portfolios (the efficient frontier) is determined for a group of stocks, choosing the optimal portfolio is the ultimate objective. Assuming that an investor is willing to hold any portfolio on the efficient frontier, one method for portfolio selection is maximization of the expected geometric mean.¹ Selecting that portfolio with the highest expected geometric mean will have the advantage of maximizing periodic returns over the investment period. Maximizing the geometric mean will minimize the probability of ultimate ruin while maximizing return for a buy and hold strategy over any given period.

OPTIMAL SELECTION

The stocks selected by each of the three techniques are given in Table 1. Quarterly returns for six years between 1975 and 1980 were calculated for each stock. This return includes all dividend yields, price appreciation, and events such as a stock dividend or stock split. The return is given by

(4)

$$r_t = \frac{P_t + D_t - P_{t-1}}{P_{t-1}}$$

where

P_t = closing price at the end of time t ,

D_t = cash dividend in time t ,

P_{t-1} = closing price at the end of time $t - 1$.

Using the quarterly returns, the means and covariance matrix were calculated for each ten stock portfolio. This data was used to derive the efficient frontier for each set

of stocks.² The efficient frontiers for the three sets of stocks are given in Figures 1, 2, and 3. These will be useful in determining the optimal portfolio from each set and ultimately the optimal portfolio overall.

From the efficient frontiers, and examination of portfolios maximizing the geometric mean from each set shows that the publication recommendation achieves the highest geometric mean, followed by the random selection then the broker sample. Table II shows the risk-return characteristics for each optimal portfolio. These results show that per unit of risk (either total risk or systematic) the publication recommendation is superior to the other choices. The broker recommendation ranks second in terms of total risk but ranks third in terms of systematic risk. The random portfolio ranks third in terms of return per unit of total risk, and second relative to systematic risk.

Transaction costs have been ignored in deriving the above returns. Even considering transaction costs, the publication recommendation remains the best alternative; however, these charges, plus the cost of the broker's advice, could conceivably cause the random portfolio to be ranked second in terms of total risk over the broker recommendation. An investor should be able to achieve lower total fees on a random portfolio since a discount brokerage house could be utilized to complete transactions.

SUMMARY AND CONCLUSIONS

This study has made a comparison of three sets of securities: a broker recommendation, a recommendation of stocks by a business publication, and a random selection of stocks. An analysis based on risk and return shows the publication recommendation to be the optimal portfolio. By deriving the most efficient combinations of the stocks included in each set, only the most efficient portfolios are considered. The optimal portfolios were selected on the basis of maximization of the geometric mean for reasons set forth in the study.

On the basis of return per unit of total risk, the broker recommendation outperforms the random portfolio. This may not necessarily be the case, however, when transactions costs and investment counseling fees are considered. The publication recommendation consistently outperformed all other techniques in terms of total risk and systematic risk.

The results of this study imply for this sample of data, that investors cannot expect to earn superior rates of return by following the advice and recommendations of a stock broker; in fact, the return on the portfolio

from the broker selection is only slightly greater than what could be earned with a naive strategy of a random selection of stocks.

TABLE I

SELECTION OF INITIAL STOCKS BY EACH CATEGORY		
<u>BROKER RECOMMENDATION</u>	<u>PUBLICATION RECOMMENDATION</u>	<u>RANDOM SELECTION</u>
American Telephone & Telegraph	Skyline	International Telephone & Telegraph
Coca Cola Company	Yellow Freight System	Moore McCormack Resources
Exxon	Avon Products	Bayuk Cigars
International Business Machines	Champion Home	Unitrode Corporation
Citizens & Southern Realty	Fleetwood Enterprises	Federated Dept. Stores
Atlantic Richfield	Centex	AMPCO-Pittsburgh Corp.
Kerr McGee	American Home Products Corporation	Northern National Gas Co.
Standard Oil of Indiana	G.D. Searle	American Seating Co.
American Home Products Corporation	Amerada-Hess	American Standard, Inc.
Delta Airlines	Merck	Norton Company

TABLE II
RETURN AND RISK CHARACTERISTICS FOR OPTIMAL PORTFOLIOS

Portfolio	Geometric Mean	Standard Deviation	Beta	Return Per Unit of Total Risk	Return Per Unit of Systematic Risk	Stocks Included in Portfolio	Proportion of Each Stock
Broker	6.697%	11.21%	.998	0.597	6.71	Exxon Std. Oil (Ind.)	0.009 0.991
Pub. Recommend	12.6%	8.361%	.90	1.507	14.0	Amer. Home Prod. Amerada-Hess	0.998 0.002
Random	10.476%	21.929%	1.176	0.478	8.91	Unitrode Amer. Std. Norton Co.	0.36 0.58 0.06

Efficient Frontier For The Broker Recommendation

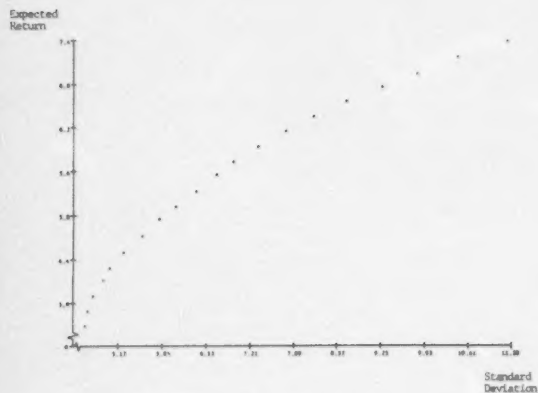


FIGURE II.

Efficient Frontier For The Business Publication Recommendation Portfolio

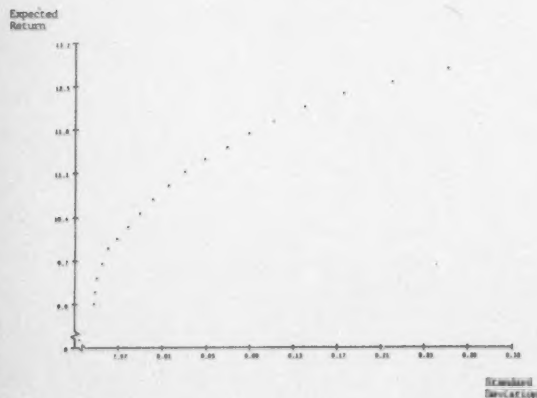
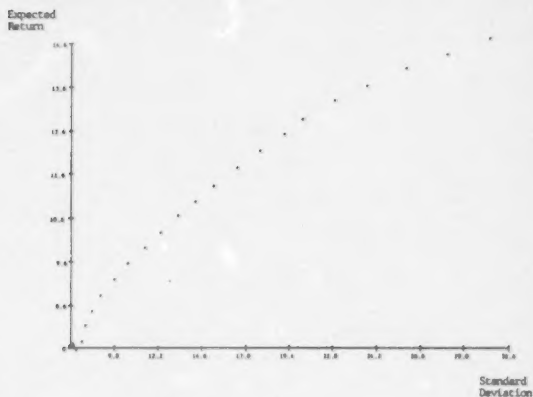


FIGURE III.

Efficient Frontier For The Random Selection Portfolio



FOOTNOTES

1. The geometric mean is given by the equation

$$\text{Geometric Mean} = \left[\prod_{i=1}^n (1 + r_i) \right]^{1/n} - 1$$

where

r_i = return in period i ,

n = number of investment periods.

2. The Quadratic programming algorithm is based on Lemke's Complementary Pivot algorithm. The computer code was published by Arunachalam Ravindran in the Algorithms section of the Communication of the ACM, Volume 15, September 1972, pp. 818-820. The code was modified by J. E. Hilliard, University of Georgia, to specifically solve the standard portfolio problem and simplify the input and output requirements. The form is

$$\begin{aligned}
& \text{Minimize Variance } \{r_p\} = \sum_{i=1}^n \sum_{j=1}^n W_i W_j \sigma_{ij} \\
& \text{subject to} \\
& \sum_{i=1}^n W_i \bar{R}_i = E, \\
& \sum_{i=1}^n W_i = 1,
\end{aligned}$$

where r_p = the return on the portfolio,

n = the number of assets (1,...,10),

W_i = the proportion in asset i ,

$\bar{R}_i$ = the expected one-period return on asset i ,

σ_{ij} = the covariance between returns of asset i and j .

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NEW AND EXPANDED INDUSTRY

Town	Firm	No. of Employees
Product		
NEW		
Columbus	ECM Industries	
	Machinery, Steel Fab., Pipe Fitting, Rubber Lining	70
Olive Branch	Independent Steel Castings	
	Metal Castings	20
EXPANDED		
Belmont	Golden Sales, Inc.	
	Furniture	50
	Sun Air Products, Inc.	
	Small Metal Fabrications	15
Booneville	American Packing Co.	
	Sliced Luncheon Meat	50
Canton	Cole Brothers & Fox Grocery Co.	
	Wholesale Groceries	15
Holly Springs	Mulay Plastics of H.S.	
	Plastic Injections, Foam	150
New Albany	Cane Creek Co.	
	Rattan Furniture & Accessories	60

Blacks and the Dual-Labor Market: Expectations and Reality

by
Joseph Tomkiewicz
Otto Brenner
Robert Horn

Racial inequalities in the labor market have long been a focal point of considerable economic research. Although few dispute that minorities do not fare well in the labor market, there is little consensus as to the cause and nature of discrimination. The economic predicament is compounded by the psychological outlook of minorities facing a less than assenting labor market. It implies that minorities may have to re-think their possibilities and embark on employment paths that may not be the most attractive vis a vis the employment alternatives that exist for non-minority group members.

This paper will address three relevant issues: 1.) what has been the experience of minorities (specifically blacks) in the labor market, particularly in what proponents of the dual labor market theory refer to as the "primary" labor market; 2.) what are the expectations of blacks; i.e., what do they desire and/or aspire to in terms of work related outcomes, and 3.) what are the economic and social implications if the expectations of blacks are incongruent to actual experiences in the labor market.

A small but growing body of economists argue that the labor market is composed of at least two non-competing segments called the primary and secondary labor markets. Doeringer and Piore, strong proponents of the dual labor market hypothesis, describe conditions in the primary market as being characterized by "high wages, good working conditions, employment stability, chances of advancement, equity, and due process in the administration of work rules."¹ Secondary markets "tend to have low wages and fringe benefits, poor working conditions, little chance of advancement, and often arbitrary and capricious supervision."² Based upon these descriptions it is obvious that employment in the primary market is preferable to work in the secondary sector. However, while the degree of differentiation among jobs in the secondary market is considered to be minimal, the same cannot be said for the primary

market. The extent of job differentiation in the primary market has led Piore and others to argue that the market should be segmented into an upper tier primary and a lower tier primary.³ While it will not be denied that employment in either tier is superior to the labor market under consideration in this study, the differences between upper and lower tier primary jobs are critical and must be considered in some detail.

Lower tier primary basically fits the description of the primary market given above. It is the realm of the industrial working class, clerical, and low level administrative positions.⁴ Whereas workers in these jobs enjoy some measure of economic security via organization and/or institutionalized work rules, the nature of these jobs are such that the workers performing them have little effective control over their work lives. In contrast, professional and managerial positions and skilled craftpersons constitute the upper tier of the primary labor market.⁵ These jobs, in addition to higher pay than lower tier jobs, offer enhanced status and prestige to those who occupy them. Furthermore, the work offers much greater variety and room for individual creativity and initiative, i.e., job control and autonomy, than work in either the lower tier or secondary segments of the labor market.⁶

Based upon these descriptions, the upper tier of the primary labor market is clearly preferred by anyone having aspirations of a fulfilling work life from any standard one wishes to use: economic (high wages and their concomitant benefits); psychological (the satisfaction of higher order needs such as self-esteem, achievement and self-actualization); and social (the likelihood of becoming a fully integrated and accepted member of a success-oriented society). Educational institutions are providing an increasing number of blacks with the background credentials to fill upper tier primary positions. The extent to which the doors to these jobs remain closed to

blacks and the impact of this closure on productivity and the quality of both work and non-work life is the subject of the discussion to follow.

In a study investigating the structural differences of labor markets in several southern states, Horn⁷ found that non-whites represented close to 14% of the total labor force, but comprised only 11% of the primary market. Of the total number of non-whites, only 66% were in the primary market. Those blacks who were in the primary labor market did not experience the same opportunities as their non-minority counterparts. Within the primary market, employees differentiate workers according to race and human capital (i.e., education, experience, etc.). Horn found that blacks who did gain access to the primary sector were paid less than other primary workers. Although Horn's model does not permit an exact statement of the causes of these differentials, the inference is that "it is a combination of wage discrimination (blacks are paid less for performing the same job) and employment discrimination (blacks are delegated to the lower ranks of the primary market)."⁸ Thus, the principle deterrents to black advancement in the primary market are connected with demand side factors (hiring policies, internal work rules, performance evaluations, etc.) and not exclusively supply side factors (education, experience and training). Horn also found that while whites in the private sector earn more than their counterparts in the public sector, non-whites in public-sector employment earn more than their counterparts in the private sector. "This indicates that there may not exist the same promotional opportunities for blacks in the primary market and/or blacks tend to remain clustered in those employment settings which have weakly developed internal market structures."⁹

It has been observed that "minority employment is perhaps the most urgent and perplexing personnel problem faced by management in the second half to the twentieth century."¹⁰ The urgency and perplexity exist because evidence seems to indicate that economic opportunities of minorities have not paralleled their expectations. With the passage of civil rights legislation and the inauguration of affirmative action plans, minority expectations might be expected to grow. If barriers of discrimination and prejudice could be lowered, then an equitable share in our upwardly mobile society could be anticipated by minorities. However, if expectations have been aroused and then fail to come to fruition, another dilemma more serious than discrimination alone is created and the situation becomes indeed "urgent and perplexing."

In order to ascertain the expectations held by a group who appear to have the greatest stake in labor market operations, a job expectation questionnaire¹¹ was distributed to graduating black business majors at several southern colleges. The questionnaire was given to 263 students and 121 useable questionnaires were returned (59 males and 62 females). Participants were asked to rate 25 different job characteristics according to their importance on a five point scale (5 = Very Important, 1 = Not Important). The 25 job characteristics are shown in Table 1. Factor analysis with varimax rotation was used and yielded five distinct factors with Eigenvalues over 1.0 which account for 88.3% of the total variance.

Factor 1, "Structured Advancement," accounted for 41.7% of the total variance and consisted of seven items. (See Table 2). It indicated that black business students desire to work for superiors they can respect, within an organizational setting that will provide opportunities for advancement and recognition and the eventual chance to supervise others within a structured environment. These characteristics were especially valued by black males who desire each item more than did black females.

Factor 2, "Comfortable Working Conditions," accounted for 14.6% of the total variance and included 4 items (Table 2). This factor indicates that blacks are concerned with the extrinsic elements of the work environment; i.e., working conditions and work associates, while also desiring ample leisure time away from the work place. Black males and black females desire this factor in almost equal amounts.

Factor 3, "Responsibility," accounted for 12.9% of the total variance and included 3 items (Table 2). It symbolizes that blacks are not only committed to organizational goals but recognize and are concerned about their responsibilities in the non-enterprise (social) environment.

Factor 4, "Career Development," accounted for 10.6% of the total variance and contained three items (Table 2). The connotation is that blacks anticipate using their human capital investment at an increasing rate. They desire to continually develop and expand their work skills and expect job-related advancement that such growth implies. Black males rated this factor somewhat higher than did black females.

Factor 5, "Personal Development," accounted for 8.5% of the total variance and included three items (Table 2). This factor typifies the desire for those things that permit self-actualization, development of the total potential of a person from both an intellectual and

aesthetic point of view. Such items may well spell the difference in whether membership within an organization is a satisfying end in itself or viewed only as a means to other ends. Black males were only slightly higher than black females in their desire for this factor.

Examining the responses of these black business majors, it is immediately apparent that their expectations for certain work related outcomes are high, (Table 1). Evidently the past discriminatory practices of business organizations have not had an appreciable dampening effect on young blacks' expectations. Unfortunately, quite an inconsistency arises when we compare these expectations to the actual manifestations of the labor market. The factors yielded in the present analysis of expectations coincide very closely to those characteristics of the upper tier of the primary labor market. In other words, the blacks in the present sample can be said to have typical white middle-class expectations, heightened no doubt by their four year experience at college, a typically white middle-class institution. Since most business curriculums at colleges are taught from a management perspective, it is little wonder that the aspirations of the respondents incline towards upward mobility within business organizations. However, a comparison of the results of Horn's study (and others)¹² and the present investigation indicate a high probability of a "crash at the interface" when high expectations come into contact with the reality of the demand side dynamics of the primary labor market.

According to one model of motivation¹³, expectations and the values connected with certain outcomes are combined multiplicatively to determine the force (motivation) an individual will undertake to achieve those outcomes. If expectancies approach zero, then motive disappears. Looked at another way, if an individual perceives that the probability of obtaining certain outcomes is low, motivation is also very low. The significance of this theory becomes evident when we examine the results of this present investigation. Blacks are investing considerable resources into human capital investment (a college education). The investment is prompted by expectations of better employment opportunities, becoming a bona-fide participant within the upper tier primary labor market. The result of possessing such lofty expectations is a great enthusiasm on the part of black graduates as they anticipate entering a business-organization. However, difficulty in acquiring a desirable position and/or making reasonable and acceptable career progress once an organization is joined may have a profound effect on their subsequent behavior. The working of the demand side of the labor market

might have a dampening effect on expectations and the probabilities of achievement. The consequence may be a reinforcement of perceptions possessed by organizations that blacks are less motivated than whites and thus, not as promotable or deserving of as high compensations as are whites. It thus becomes a vicious cycle. The result could be the abandonment of the private sector of blacks for perceived better opportunities in the public sector. "Better" in this context would connote the absence of certain internal labor market constraints that act as barriers to blacks in the private sector in the achievement of their expectations. Unfortunately, the public sector is simply not large enough to absorb a large inflow of new labor. This is especially true in the current situation of cut backs in public sector employment.

It is impossible to predict the effects on the motivation of blacks who seek employment in the public sector. Will their motivation to succeed be at a level comparable to that which they might possess in the private sector? While the public sector may offer blacks the opportunity to earn more than if they were members of the private sector, advancement is at a much slower and calculable pace, with well defined limits.

The implications of this "crash at the interface" have serious repercussions for society as a whole. Blacks leave college with a vector of aspirations (rewarding jobs, responsible positions, mobility prospects, etc.) that due to institutional and structural constraints endemic to the labor market may go unfulfilled, resulting in a myriad of economic, psychological and social disadvantages. The importance of this rests in part on the contention that the causes of unfulfilled expectations are outside the control of the black graduates themselves. The extent to which the primary market is truncated into a black jobs market and a white jobs market, the former consistently ranking below the latter in terms of remuneration, advancement opportunities, skill-potential development, prestige and so forth, will result in negative feedback effects upon blacks who enter the job market with aspirations and backgrounds comparable to whites only to find ceilings on their advancement or doors closed to them but open to whites. Motivational energy is sapped and society is robbed of a vital resource. The total productive effort of a nation is then lessened.

TABLE 1

Mean Importance Ratings and Rank Order of Job Characteristics

Job Characteristic How important it is to you to have a job which:	Male (n = 59)		Female (n = 62)	
	Mean	Rank	Mean	Rank
1. Requires originality/creativity	4.12	14.0	3.85	18.0
2. Makes use of your specific educational background	4.35	5.0	4.60	2.0
3. Encourages continued development of knowledge and skills	4.53	3.0	4.43	4.5
4. Is respected by other people	4.16	13.0	4.36	6.0
5. Provides job security	4.65	2.0	4.55	3.0
6. Provides the opportunity to earn a high income	4.31	7.5	4.23	10.0
7. Makes a social contribution by the work you do	4.29	9.0	4.15	12.5
8. Gives you the responsibility for taking risks	3.63	23.0	3.34	22.5
9. Requires working on problems of central importance to the organization	3.90	18.5	3.89	17.0
10. Involves working with congenial associates	3.88	20.0	4.06	14.0
11. Provides ample leisure time off the job	4.06	15.0	3.83	19.0
12. Provides change and variety in duties and activities	4.22	11.0	4.32	7.0
13. Provides comfortable working conditions	4.51	4.0	4.43	4.5
14. Permits advancement to high administrative responsibility	4.33	6.0	4.15	12.5
15. Permits working independently	3.90	18.5	4.21	11.0
16. Rewards good performance with recognition	4.27	10.0	3.96	15.0
17. Requires supervising others	3.65	22.0	3.15	25.0
18. Is intellectually stimulating	4.18	12.0	4.25	8.5
19. Satisfies your cultural and aesthetic interests	3.96	17.0	3.91	16.0
20. Has clear cut rules and procedures to follow	3.49	24.0	3.34	22.5
21. Permits you to work for superiors you admire and respect	3.76	21.0	3.68	21.0
22. Permits a regular routine in time and place of work	3.41	25.0	3.32	24.0
23. Requires meeting and speaking with many other people	3.98	16.0	3.79	20.0
24. Allows you to develop your own methods of doing the work	4.31	7.5	4.25	8.5
25. Provides a feeling of accomplishment	4.71	1.0	4.74	1.0

TABLE 2

FACTOR LOADINGS OF JOB CHARACTERISTIC
(n = 121)

FACTOR WITH EIGEN VALUES 1.0

FACTOR	EIGEN VALUE	% VARIANCE	CUMULATIVE % VARIANCE
FACTOR 1 (Structured Advancement) (Includes Job Characteristic items: 14, 16, 17, 20, 21, 22, 23)	5.11598	41.7	41.7
FACTOR 2 (Comfortable Working Conditions) (Includes Job Characteristic items: 1, 11, 12, 13)	1.79720	14.6	56.3
FACTOR 3 (Responsibility) (Includes Job Characteristic items: 7, 8, 9)	1.57496	12.9	69.2
FACTOR 4 (Career Development) (Includes Job Characteristic items: 1, 2, 3)	1.29748	10.6	79.8
FACTOR 5 (Personal Development) (Includes Job Characteristic items: 18, 19, 24)	1.04763	8.5	88.3

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INDEXES OF SELECTED MISSISSIPPI
ECONOMIC INDICATORS
[Seasonally Adjusted]

1969 =

Indicator	September 1982	August 1982	September 1981
Retail Sales	155.7	150.5	166.0
Electric Sales	206.5	205.6	199.5
Telephones in Service	225.2	225.9	230.8
Gasoline Gallonage	138.3	136.3	136.0
Loans of Savings & Loans Institutions	86.4	46.6	76.0

Tourist Briefs

Merrehope

Meridian, Mississippi



This twenty-room mansion is an outgrowth of a simple cottage built on the land deeded by Richard McLemore, first settler of what is now Meridian, to his daughter Juriah in 1858. One of less than a half-dozen buildings left standing after General Sherman's campaign in February, 1864, Merrehope has been associated with Meridian from the founding of the city through war, destruction, rebuilding and to the present day.

In 1868 the John Gary family acquired the cottage and added other rooms. They are credited with the installation of the striking etched ruby glass that frames the front door. The home changed ownership several times until it was finally completed by 1904 by the S.H. Floyd family.

In 1868, the home was purchased by The Meridian Restorations Foundation, Inc. and was given the name MERREHOPE-"mer" for Meridian, "re" for Restorations and "hope" reflecting the desires of 200 club

ladies. Their goal was to restore this beautiful and historically significant landmark; to provide an educational and cultural example of the historic past of Meridian for generations to come; and, to create a spacious meeting place for cultural, education and literary groups.

Once a year during the first two weeks of December, Merrehope presents as an annual event the TREES OF CHRISTMAS TOUR. It is the desire of the foundation that this display of traditional and contemporary interpretations of the Christmas Tree will make Christmas more meaningful for the thousands who view the trees and will deepen their understanding of our broad cultural heritage.

Merrehope is located on 905 31st Avenue in Meridian and is open for tours all during the week for a small admission charge.

MEET THE FACULTY



Dr. Gary Williams
Business Statistics and Data
Processing Department

Dr. Gary Williams has been Associate Professor in the Business Statistics and Data Processing Department since 1980. He teaches introductory and advanced business statistics, introductory data processing, graduate research methods and business information systems courses. He serves on several committees including the Graduate Policies Committee and the Strategic Planning Task Force for the College of Business and Industry.

Before coming to Mississippi State, Dr. Williams had taught at Sam Houston State University in Huntsville, Texas. In addition to teaching business statistics and business communication, he also served on the University Faculty Council and on the Graduate Advisory Committee for the college of Business Administration.

He received his Master of Business Education degree from North Texas State University and his Doctor of Business Administration degree from Texas Tech University.

Dr. William is a member of the American Institute of Decision Sciences and the American Business Communication Association and has been active as presenter, review and discussant in their meetings.

He has been co-recipient of a faculty research grant, both at Sam Houston State University and Mississippi State, and is presently working on papers for presentation at the American Institute of Decision Sciences and other professional meetings.

Dr. Williams and his wife, Bernedette, are parents of a daughter, Jennifer.

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NEW PRIVATE HOUSING AND VACANCY RATES

(Thousands of units or homes, except as noted)

Period	New private housing units						New private homes		Vacancy ² _{rate} for rental housing units (percent) ¹
	Units started, by type of structure				Units authorized	Units completed	Homes sold	Homes for sale at end of period ¹	
	Total	1 unit	2-4 units	5 or more units					
1974.....	1,387.7	888.1	68.1	381.6	1,074.4	1,728.5	519	346	6.2
1975.....	1,160.4	892.2	64.0	204.3	939.2	1,317.2	549	313	6.0
1976.....	1,537.5	1,162.4	85.9	289.2	1,298.2	1,377.2	646	353	5.6
1977.....	1,987.1	1,450.9	121.7	414.4	1,690.0	1,657.1	819	402	5.2
1978.....	2,020.3	1,433.3	125.0	462.0	1,800.5	1,667.5	817	414	5.0
1979.....	1,745.1	1,194.1	122.0	429.0	1,551.8	1,870.8	709	² 398	5.4
1980.....	1,292.2	852.2	109.5	330.5	1,190.6	1,501.6	545	336	5.4
1981.....	1,084.2	705.4	91.1	287.7	985.5	1,265.7	436	372	5.0
Seasonally adjusted annual rates									
1981: Aug.....	946	614	76	256	878	1,233	364	306	5.0
Sept.....	899	623	62	214	835	1,202	335	304	
Oct.....	854	507	78	269	798	1,265	359	291	
Nov.....	880	554	81	225	743	1,067	388	283	
Dec.....	882	550	74	258	797	1,114	456	272	5.0
1982: Jan.....	885	592	70	223	803	1,063	399	275	5.3
Feb.....	945	568	84	293	792	930	376	274	
Mar.....	931	621	67	243	851	926	380	269	
Apr.....	882	566	64	252	879	962	335	264	
May.....	1,066	631	86	349	944	1,138	395	259	5.1
June ²	908	631	83	204	929	935	372	253	
July ²	1,195	625	104	466	1,062	991	352	250	
Aug.....	1,002	610	102	290	886	.....	359	347	

¹Seasonally adjusted.

²Quarterly data covered in last month of quarter. Series beginning 1979 not strictly comparable with earlier data.

³New series beginning March 1979.

Note.—Units authorized beginning 1978 relate to 16,000 permit-liming phase; data for 1973-77 are for 14,000 phase.

Source: Department of Commerce, Bureau of the Census.

Sales Indicated By Sales Tax Collections During September, 1982 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,442	33,678	Hancock	649	16,656	Lowndes	1,569	38,881	Simpson	419	10,186
Alcorn	1,007	29,825	Harrison	4,424	110,814	Madison	811	24,495	Smith	145	3,642
Amite	133	3,228	Hinds	9,354	248,859	Marion	696	16,378	Stone	197	4,498
Attala	371	9,859	Holmes	322	7,432	Marshall	374	8,760	Sunflower	573	28,151
Benton	50	1,086	Humphreys	228	5,665	Monroe	740	12,574	Tallahatchie	225	5,059
Bolivar	810	20,053	Issaquena	26	968	Montgomery	235	5,574	Tate	325	7,897
Calhoun	228	5,747	Iowamba	436	14,066	Neshoba	434	11,011	Tippah	301	7,966
Carroll	118	3,051	Jackson	3,029	98,888	Newton	335	8,211	Tishomingo	343	9,868
Chickasaw	297	7,081	Jasper	280	8,214	Noxubee	157	3,923	Tunica	132	3,109
Choctaw	98	2,307	Jefferson	75	1,819	Oktober	647	14,473	Union	349	9,280
Clallborne	341	20,481	Jeff Davis	228	5,868	Panola	545	13,392	Walsh	197	4,660
Clarke	193	4,852	Jones	2,185	52,870	Pearl River	629	14,593	Warren	1,240	29,384
Clay	366	9,794	Kemper	94	2,099	Perry	205	8,904	Washington	1,770	44,921
Coahoma	778	19,198	Lafayette	514	11,766	Pike	1,028	23,182	Wayne	452	7,732
Copiah	380	8,897	Lamar	312	8,180	Pontotoc	242	6,066	Webster	130	3,092
Covington	656	14,048	Lawrence	151	3,435	Prentiss	341	8,871	Wilkinson	172	4,421
DeSoto	746	19,585	Leake	270	6,298	Quitman	173	4,641	Winston	331	7,766
Forrest	2,259	62,604	Lee	2,266	72,926	Rankin	1,749	54,807	Yalobusha	184	4,409
Franklin	113	2,742	Leflore	1,056	26,578	Scott	485	12,517	Yazoo	686	16,572
George	245	5,687	Lincoln	785	20,154	Sharkey	151	3,429	State Total	86,044	1,698,874
Greene	87	1,883									
Grenada	575	15,824									

STATE ECONOMIC INDICATORS

Indicator	September 1982 ¹	August 1982 ²	September 1981 ¹	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	934,700	920,400	980,000	1.6	-4.6
Non-Ag Employment	795,900	782,700	826,100	13.2	-30.2
Mining	12,500	12,700	12,900	-0.2	-0.4
Contract Construction	40,200	40,000	43,100	0.2	-2.9
Manufacturing	205,200	205,800	223,800	-0.6	-18.6
Transportation and Public Utilities	40,200	40,200	40,400	-0	-0.2
Wholesale and Retail Trade	163,000	163,200	164,800	-0.2	-1.8
Finance, Insurance and Real Estate	32,900	33,000	33,200	-0.1	-0.3
Service	120,400	117,600	121,600	2.8	-1.2
Government	181,800	170,300	186,200	11.3	-4.6
Unemployment Rate (Per Cent Labor Force)	13.0	12.7	8.3	—	—
Average Weekly Earnings in Manufacturing (Dollars)	38.6	39.0	39.3	-1.0	-1.8
Average Hourly Earnings in Manufacturing (Dollars)	6.44	6.42	6.08	0.3	5.9
Average Weekly Hours in Manufacturing	248.58	250.38	238.94	-0.7	4.0
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,791	2,457	2,957	13.6	-5.6
Gasoline Delivered to Dealers (gals.) ⁶	116,221	114,659	110,963	13.6	4.7
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	14,800	9,301	12,800	5.9	1.6
Construction Loans	2,000	82	1,300	20.8	5.4
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	2,050,905	2,213,149	1,979,735	-7.3	3.6
Telephones in Service (Number) ⁹	1,493,427	1,498,606	1,530,754	-0.4	-2.4
RETAIL SALES (\$000's)¹⁰					
	1,393,692	1,396,430	1,417,270	-0.2	-1.7
Indicator	June 1982	May 1982	June 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹¹					
Total Cash Receipts from Farm Marketings	172,119	96,437	139,587	78.5	23.3
Cash Receipts from Marketing Livestock	69,268	65,097	72,866	6.4	-4.9
Cash Receipts from Marketing Crops	102,851	31,340	66,721	228.2	54.2

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for May

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹South Central Bell Telephone Company

¹⁰Mississippi Tax Commission

¹¹U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month Sept.	PerCent Month Ago	Change Year Ago	Current Month Sept.	PerCent Month Ago	Change Year Ago	Current Month Sept.	Per Cent Month Ago	Change Year Ago
Aberdeen	8,713	56.0	15.5	43,485	-11.0	-4.9	106,000	72,762	150,300
Baldwyn	4,590	-0.9	-3.5	20,128	-5.9	-1.3	---	---	---
Batesville	9,115	-0.2	-1.7	55,386	-4.3	-8.1	46,000	20,800	71,500
Bay Springs	---	---	---	20,187	0.5	-8.0	---	---	---
Bay St. Louis	14,592	-0.1	3.9	38,470	-3.6	10.0	---	---	---
Belmont	2,324	0.1	-3.4	9,723	-1.6	-6.5	---	---	---
Belzoni	4,955	-0.6	-4.1	27,540	-6.3	-1.7	15,500	30,500	53,300
Biloxi	44,670	-0.9	-3.5	306,645	-2.8	-3.0	---	---	---
Brandon	11,362	-0.4	-0.1	38,646	-4.6	-2.7	---	---	---
Brookhaven	15,499	-0.6	-3.9	111,635	1.5	2.2	188,500	106,500	601,366
Brooksville	1,330	-0.1	2.5	2,539	-12.9	-2.3	---	---	---
Canton	10,904	-0.5	-1.7	56,861	-9.1	-11.2	---	---	---
Carthage	7,327	-1.0	-2.6	37,702	-9.0	-0.8	125,990	---	39,690
Charleston	4,103	-0.5	-3.5	17,919	5.9	20.3	---	---	---
Clarksdale	19,725	-0.9	-5.1	119,204	-3.8	5.0	---	---	---
Cleveland	13,625	1.9	-2.6	100,912	3.6	3.1	---	---	---
Collins	4,743	0.2	0.9	44,373	86.1	21.7	---	---	---
Columbia	16,156	-0.3	-0.5	95,799	-5.0	14.7	---	---	---
Columbus	32,782	-0.2	-2.9	212,442	-2.7	-6.9	119,888	404,155	869,2000
Corinth	20,395	-0.3	-3.7	107,720	-10.0	-11.0	80,985	198,630	168,422
Crystal Springs	5,882	-0.6	-1.6	19,737	-23.3	-10.7	24,900	53,000	77,900
Drew	2,905	0.2	3.1	10,009	-2.5	-17.9	---	---	---
Edwards	1,709	-0.6	-1.6	3,413	-6.6	-7.2	37,000	78,850	70,000
Ellisville	3,976	-0.5	-3.1	15,126	-9.7	-4.4	---	---	---
Eupora	4,366	-0.5	-1.6	15,996	-1.4	-5.4	---	---	---
Fayette	3,354	-0.2	0.1	8,480	-25.5	-10.2	---	---	---
Forest	5,015	-0.9	-2.3	48,492	-8.4	-3.8	---	---	---
Greenville	36,074	-0.7	-3.6	233,719	-3.3	-6.1	---	---	---
Greenwood	23,116	-0.5	-4.2	145,129	-0.2	-3.7	---	---	---
Grenada	14,131	-0.0	-2.0	88,534	2.8	6.9	47,000	64,000	460,000
Gulfport	62,417	-0.2	-1.3	292,007	0.7	9.1	16,749,206	841,908	3,257,087
Hattiesburg	90,767	0.1	-1.5	349,457	-4.7	1.5	2,101,604	1,585,792	650,199
Hernando	7,412	-0.3	-0.6	22,423	-16.6	8.8	35,750	---	15,300
Hollandale	3,332	-0.5	-0.6	13,480	2.1	4.9	---	---	---
Holly Springs	7,597	-1.2	-0.8	37,630	-8.1	-40.7	8,000	77,500	225,725
Houston	5,583	-0.6	-2.1	32,357	31.0	17.7	74,500	23,500	40,000
Indianola	7,812	-0.5	-2.3	63,196	-1.9	0.4	---	---	---
Iuka	5,281	-0.6	-9.3	27,813	-2.2	-6.2	---	---	---
Jackson	225,745	-0.4	-2.6	1,479,524	0.6	2.4	3,095,603	6,419,784	3,317,375
Kosciusko	9,182	-0.4	-4.0	53,551	-6.6	-14.9	---	198,100	3,187
Laurel	35,407	-0.3	-2.0	303,696	1.4	-15.9	489,619	769,527	560,518
Leland	5,256	-0.4	-1.0	21,499	4.5	6.9	4,300	93,700	4,800
Lexington	4,919	-0.2	-0.5	19,726	5.2	-0.8	---	---	---
Louisville	10,483	-0.4	-3.0	50,015	1.0	2.3	104,804	103,930	---
Lucedale	8,445	-0.8	-2.2	33,822	-5.8	1.5	2,200	123,200	---
Lumberton	2,936	0.2	-0.9	10,377	45.9	26.6	---	---	---
Macon	3,729	-0.9	-0.9	15,193	-10.3	2.9	---	---	---
Magee	5,487	-0.2	-0.5	44,286	2.2	8.6	---	---	---
Magnolia	4,275	0.2	-2.3	8,253	-19.1	-14.2	10,300	16,400	11,000
Marks	5,273	-0.6	-4.6	14,421	-14.2	-4.7	---	---	---
McComb	19,820	-0.4	-2.4	126,947	-3.5	5.9	94,286	79,845	335,454
Meadville	---	---	---	4,926	-1.6	16.6	-0	---	-0
Mendenhall	6,597	-1.0	-1.1	18,868	-9.1	5.9	30,900	-0	13,500
Meridian	46,378	-0.5	-3.8	364,962	5.8	-6.9	699,840	524,979	453,617
Monticello	5,047	-0.5	0.5	19,503	-1.3	-1.0	---	---	---
Morton	3,619	-0.6	-0.3	19,706	3.8	5.1	---	---	---
Moas Point	16,331	-0.8	-1.4	55,586	11.2	4.6	117,637	124,910	48,539
Natchez	30,398	-0.0	-1.1	22,393	4.9	-7.8	267,925	111,350	178,290
New Albany	11,367	-0.0	-1.6	52,747	-8.0	-6.4	219,000	124,700	138,500
Newton	4,129	-0.3	-1.1	21,793	-8.2	-5.8	-0	64,840	-0
Ocean Springs	15,529	-0.9	-4.1	76,815	-1.9	15.9	5,250	1,085,341	5,500
Okolona	3,373	-0.0	-3.7	14,327	-7.7	-4.1	---	---	---
Oxford	21,316	0.9	-2.1	84,395	2.0	3.7	373,575	173,800	97,700
Pascagoula	37,014	-0.6	0.7	205,662	-1.6	0.4	---	---	---
Pasa Christian	5,696	-1.2	-0.9	14,076	-14.4	40.1	293,210	280,927	69,500
Philadelphia	11,785	0.1	-1.2	57,146	-6.6	9.5	---	---	---

BUSINESS ACTIVITY BY CITY

	Telephones In Service			City Sales Tax Collections			Building Permits		
	Current Month Sept.	PerCent Month Ago	Change Year Ago	Current Month Sept.	PerCent Month Ago	Change Year Ago	Current Month Sept.	Per Cent Month Ago	Change Year Ago
Picayune	16,051	-0.5	-1.1	85,273	-1.4	4.3	456,700	359,250	416,000
Pontotoc	9,332	-0.5	-2.9	32,510	-22.4	-14.1	---	---	---
Poplarville	4,312	0.1	0.9	15,117	3.3	3.7	58,500	34,500	40,000
Port Gibson	6,012	-0.8	0.4	14,629	-11.4	-9.1	---	---	---
Prentiss	---	---	---	21,264	-2.8	-1.7	---	121,500	---
Quitman	4,978	-0.2	-1.2	22,470	-7.6	-6.7	---	---	---
Raymond	3,352	2.0	0.8	3,705	-16.7	2.5	---	---	---
Richton	1,929	-0.6	-2.7	8,418	-10.5	-9.3	413,000	61,700	---
Rosedale	1,544	6.1	-2.7	7,442	-0.4	-5.3	---	---	---
Ruleville	1,910	-0.4	-1.0	12,186	-15.3	16.6	---	---	---
Sardis	3,142	-0.3	-10.6	16,589	-16.7	-5.2	5,000	7,000	48,000
Senatobia	6,865	-0.3	-1.9	41,285	-11.1	-9.2	359,450	---	6,200
Shelby	1,589	0.3	-2.5	8,696	-17.4	4.2	---	---	---
Starkville	15,377	-0.0	-39.8	96,808	6.3	8.0	---	---	---
Summit	1,693	0.2	0.5	10,793	2.3	-5.7	---	---	---
Taylorville	1,799	-0.6	1.3	10,991	-6.4	-4.3	---	---	---
Tchula	1,957	-0	-3.1	3,735	-23.5	-12.1	---	---	---
Tunica	4,138	-1.0	-3.3	13,738	-18.9	-13.8	---	---	---
Tupelo	37,284	-0.4	-3.0	317,185	6.4	-1.6	859,969	673,949	1,381,296
Union	2,891	-1.0	0.7	19,145	43.6	38.7	---	---	---
Utica	3,093	-0.9	-0.8	8,864	-1.8	-5.1	---	---	---
Vicksburg	38,346	-0.4	-3.1	183,003	-7.2	-3.0	216,817	257,189	105,200
Walnut Grove	1,070	-0.2	0.8	1,505	15.4	-14.3	---	---	---
Water Valley	4,185	0.3	-2.0	19,985	-19.8	-7.6	---	---	---
Waynesboro	7,879	-0.3	-0.8	59,693	-8.5	-13.2	82,000	38,800	174,200
West Point	12,345	-0.2	-2.2	57,435	9.2	21.9	79,800	75,000	74,075
Wiggins	6,290	-0.8	-0.9	26,861	18.2	17.3	110,500	36,000	200,000
Winona	4,946	-0.3	-1.7	34,663	3.2	10.8	---	---	---
Yazoo City	12,380	-0.1	-2.4	72,288	8.6	6.0	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]		September 1962	August 1962	September 1961	Per Cent Month Ago	Change Year Ago
MANPOWER DATA						
Civilian Labor Force		159,100	158,600	161,100	-0.3	-1.6
Unemployed Persons		13,000	13,800	9,400	-1.5	44.7
Per Cent of Labor Force		8.5	8.7	5.8	---	---
Employed Persons		145,500	144,800	151,700	0.5	-4.1
Non-Ag Wage & Salaries		124,400	123,800	131,200	0.5	-5.2
Manufacturing		18,900	19,200	18,000	-1.6	5.0
TELEPHONES IN SERVICE		245,281	246,257	251,354	-0.4	-2.4
CITY SALES TAX COLLECTIONS		1,534,354	1,528,219	1,501,429	0.4	2.2
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]						
MANPOWER DATA						
Civilian Labor Force		67,690	68,380	66,520	-1.0	1.8
Unemployed Persons		6,800	6,970	4,080	-2.4	66.7
Per Cent of Labor Force		10.0	10.2	6.1	---	---
Employed Persons		60,890	61,410	62,440	-0.9	-2.5
Non-Ag Wage & Salaries		51,260	51,640	53,310	-0.7	-3.9
Manufacturing		9,020	9,270	8,490	-2.7	6.2
TELEPHONES IN SERVICE		112,78	107,820	115,289	4.6	-2.2
CITY SALES TAX COLLECTIONS		612,726	622,017	593,886	-1.5	3.2

*Preliminary

Average Amount of Life Insurance In Force Per Family Mississippi, Selected States, and the United States, 1980 and 1981

Source: 1981 Life Insurance Fact Book, American
Council of Life Insurance.

State	1980 Amount	1981 Amount	% Change Over One Year
Mississippi	31,800	36,000	13.2
Alabama	39,500	44,800	13.4
Arkansas	28,300	32,100	13.4
Florida	32,100	36,500	13.7
Georgia	44,200	50,000	13.1
Louisiana	43,100	49,100	13.9
S. Carolina	39,600	42,300	6.8
Tennessee	39,500	44,700	13.2
United States	41,500	45,700	10.1



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What We Can Learn From The Past

by Lawrence K. Roos

When I listen to discussions about the current state of the economy, I am reminded of *A Tale of Two Cities* which begins "It was the best of times, it was the worst of times." Those who fear the worst, point to high unemployment, a stagnant economy, and few signs of real recovery. On the other hand, the optimists concentrate on the continuing decline in inflation, recent reductions in interest rates, and the sharp upswing in financial markets.

Now, obviously, it is an exaggeration to call present circumstances either the worst or the best; we have faced worse times and we will certainly achieve better ones. But it is no exaggeration to view monetary policy decisions now being made as having the potential for profoundly influencing the economy for some time to come. To paraphrase Dickens, now is the most critical of times for monetary policy.

Unfortunately, it is also the most puzzling of times for those who are trying to decipher what is happening. For in spite of the fact that **perceptions** of policy actions are crucial in determining the actual future course of economic events, there seems to be serious confusion in the public mind as to the current thrust and direction of monetary policy.

Much of that confusion arises from a misinterpretation in some quarters, of the meaning of the Federal Reserve's recent announcement that it is **temporarily** reducing the emphasis it places on its narrow monetary aggregate (M1) target, and instead, for a time, will be focusing increased attention on movements in the

broader aggregates (M2 and M3) and the federal funds rate. Actually what is being done is perfectly understandable. It was induced by possible temporary distortions in the measurement of M1 and by possible temporary shifts in the relationship of M1 to economic activity. There is concern that funds moving out of maturing all-saver certificates may be temporarily "parked" in checkable accounts, thereby distorting the M1 measure. Moreover, it is felt that the passage of the Garn-St. Germain Depository Institutions Act of 1982, authorizing financial institutions to create deposits that will directly compete with money market mutual funds, might also temporarily distort M1 growth. Thus, it is reasonable to expect that targeting on M1 might be subject to unusual uncertainty during a short period of adjustment to these events.

Although the Fed's announcement carefully stated that this temporary change in policy emphasis does not constitute, in any way, an underlying change in policy, the announcement has been interpreted by some as being, in fact, a major departure from the Fed's post-1979 policy of targeting primarily on monetary aggregates. Typical of such misinterpretation is a recent column in the *Wall Street Journal* which read:

"it is a great relief that Mr. Volcker has ditched the monetarists and has opted for a new, less restrictive monetary policy. . . . The Fed will [now] be looking at real interest rates, at relative strength or weakness of the dollar in international

currency markets, at the price of commodities (including gold) and at nominal GNP."

In a similar vein, the *New York Times* proclaimed that the "United States appears to be at the end of a three-year experiment" with monetary aggregate targeting and that policy is giving way "to a more pragmatic approach." *Forbes Magazine* goes even farther in saying "The deterioration of the economy has given the Federal Reserve the courage to do what it should have done months ago: abandon its disastrous experiment with monetarism."

Now, comments such as these would not be disturbing were it not for the fact that such statements by respected financial journals tend to confuse the public in general and financial markets in particular. There is a world of difference between temporarily abandoning M1 as a target and permanently replacing it with something else. This distinction is fundamental to an understanding of what is really happening, and I would like to spend the next few minutes discussing why it is so important that we interpret the recent change by the Fed in its true context and not as a permanent departure from monetary aggregate targeting.

It is important to keep in mind that monetary policy targets, whether they are interest rates, monetary aggregates or credit aggregates, are not the ultimate goals of policy and should never be confused with them. The ultimate goal of policy is the attainment of optimal economic growth under conditions of price stability. Targets are merely short-run indicators of what is happening to current spending in the economy; they represent only one aspect of the "link" between policy actions and our economic goals. As such, it is essential that they be predictably related both to the growth of GNP and to our monetary policy actions—which consist primarily of changes in reserves or changes in the monetary base.

If a target does not satisfy these two requirements, it should be replaced with one that does. Worse, if a target becomes, for some reason, a goal in itself, as interest rates frequently did in the past, monetary policy becomes a destabilizing, rather than a stabilizing force in the economy.

This can be seen by comparing three periods of post-World War II history when policy was conducted in markedly different ways. The first period, from 1951 to 1965, was one in which interest rates were the most frequently used monetary target, with several other variables being used as well. Normally, this could have been expected to produce considerable economic instability. However, in spite of interest rate targeting, this

period was actually one of relatively slow money growth, low inflation and low interest rates.

What prevented interest rate stabilization from producing undesired results? Throughout this period, the U.S. monetary system was still connected, albeit loosely, to an international gold exchange standard. Attempts to manipulate interest rates were constrained by the possibility of gold flows. The international gold exchange standard served to confine U.S. policy actions and, in essence, produced the same noninflationary impact that direct targeting on M1 could have achieved. Thus, despite the potential for less desirable results normally associated with interest rate targeting, slow monetary growth prevailed during this period and the U.S. experienced substantial increases in output and real per capita income with remarkable price level stability.

In the early 1960s, however, the influence of the gold standard on policy actions began to wane. Economic priorities both in the United States and elsewhere shifted from the vagaries of economic change. The linkage to gold eroded as a constraint on monetary policy.

The period from 1965-1979, the second period I shall describe, was one in which U.S. monetary policy continued to be dominated by the use of interest rates as targets, but the constraining influence of Bretton Woods was gone. As the years passed, two major problems associated with interest rate targeting became apparent. First, manipulation of interest rates proved to be poorly related to changes in the price level and changes in economic activity. In other words, it became increasingly evident that interest rates were poor targets for monetary policy.

What was worse, however, was that, for a variety of reasons, policymakers made a significant error in their policy calculations; they confused the target of policy with the goals of policy. Policy actions frequently degenerated into attempts to stabilize interest rates with associated undesired economic results. During economic expansions when rising credit demands put upward pressure on interest rates, attempts to resist such upward pressure resulted in accelerated monetary growth. The immediate result was an overheated economy; the ultimate result was increased inflation. Similarly, in periods of economic weakness, attempts to prevent interest rates from falling "too quickly" led to accentuated monetary restraint and a much weaker economy than would otherwise have occurred.

As a consequence, the 1965-1979 period was characterized by accelerating money growth, rising inflation, rising interest rates, declining capital formation,

declining productivity and a reduced international value of the dollar. That record provides clear evidence that **unconstrained** interest rate targeting, the kind that many today seem once again to be advocating, is counter-productive and extremely destabilizing to the economy. A return to interest rate targeting now would simply produce a "rerun" of the inflationary problems which resulted from interest rate targeting during the 1965-1979 period.

The failure of policy to constrain inflation during the 1970s undoubtedly contributed to the Federal Reserve's decision on October 6, 1979 to place more emphasis on monetary aggregate targets, particularly M1. This policy direction has now lasted slightly more than three years. But already, there are those who are calling the 1979 change a mistake and are advocating its abandonment. Before we terminate that "experiment," however, we should carefully review what the new policy perspective has achieved over the past three years.

I would be the first to acknowledge that the 1979 change did not work miracles overnight. It could not have been expected to, for movements in prices and interest rates over much of 1980 and 1981 continued to be dominated by the momentum of prior inflationary policy actions. Despite a reduction in monetary growth, inflation continued to increase, inflationary expectations did not abate, and interest rates continued to rise. This year, however, it has become increasingly clear that reduced monetary growth is producing its expected results. Growth in consumer prices has receded from double-digit figures in 1979 to its current annual rate of approximately 5 percent. Inflationary expectations are receding because the public has begun at long last to recognize that the Fed intends to stick to its anti-inflationary policy. As a result, interest rates have declined significantly.

It is also clear that there has been adverse real sector performance over the past three years. Output growth has been virtually nil since 1979 and the unemployment rate now exceeds ten percent. It was not unexpected that a gradual reduction in money growth would reduce output growth temporarily below its long-term trend and, consequently, cause a temporary increase in unemployment. But the extent of the downturn over the past three years has exceeded expectations. Two factors, in particular, in addition to slow money growth, have contributed to the severity of the downturn and have indirectly led to a lessening of public support for anti-inflationary monetary policy.

First, 15 years of inflation induced and masked declining productivity in our heavy industries and

eliminated the competitive edge that we have so long enjoyed in international markets. Much of the current decline in output and a significant part of the increase in unemployment can be attributed to this factor.

Second, the decline in money growth over the past three years did not occur in a steady and predictable fashion that would have minimized its negative effect on output. Instead, the erratic behavior of short-run money growth contributed both to economic instability and to the public's uncertainty about future policy prospects. It was not targeting on monetary aggregates per se that was responsible for the somewhat erratic pattern of short-run money growth; it was rather the manner in which the procedure was introduced. Like the launching of any new ship, some problems during the shakedown cruise were to be expected, and some occurred. These problems should now be largely eliminated.

I have taken you through this brief 30-year history of monetary policy to demonstrate that the only way we can be sure of containing interest rates, assuring price stability, and producing long-term economic growth, is to continue to focus our policy emphasis and attention primarily on the behavior of M1. In doing so, there will be times when it will be necessary to redefine the M1 measure to adjust for innovations. This was done in February 1980 to accommodate the advent of NOW accounts. We are again in the midst of such a period, and we are again taking appropriate temporary action. What is important is that the duration of any such "detours" be kept to a minimum and that the public be reassured that policymakers have not abandoned their anti-inflation policies.

If there is anything that we have learned from the experience of the past few years, it is that public confidence in monetary policy is of enormous importance. Credibility is difficult to come by and easy to lose. Any hint that monetary policy has permanently shifted back to interest rate stabilization would send interest rates skyrocketing and undo all that has been accomplished. History has demonstrated that interest rate targeting inevitably produces an inflationary bias, and that targeting on multiple targets makes consistency in monetary policy difficult to achieve. That leaves us with the need for one reliable monetary target. Since M1 has been performing better than all others, and since the results of M1 targeting have finally produced confidence in our ability to control inflation, I fervently hope that we will continue to use it. In the words of a well-known pundit, "If it ain't broke, don't fix it!"

Exclusion for Meals and Lodging— Potential Tax Benefit for Stockholder- Employees of Closely Held Farm and Ranch Corporations

by Zoel W. Daughtrey

In discussions concerning tax benefits available to shareholder-employees, Section 119 of the Internal Revenue Code is an area which is often given little or no attention. However, for closely held farm and ranch corporations, Section 119 can be the means of providing a valuable fringe benefit to key employees, particularly stockholder-employees. The value of meals and lodging provided to the stockholder-employee will escape taxation, while his corporation may deduct the depreciation, maintenance and other applicable cost, which would normally be considered personal expenses.

How It Works

Under Section 119 the value of meals and lodging provided by an employer may be excluded from income if certain conditions are met. The meals and lodging must be furnished for the convenience of the employer and they must be furnished on the business premises of the employer. In addition, the lodging is required to be accepted by the employee as a condition of employment. If these conditions are met, the exclusion applies even though the facilities are furnished for the convenience of the employee as well as the convenience of the employer.¹

An obvious area where meals and lodging furnished by a corporation to a shareholder-employee would satisfy the requirements of Section 119 is farming and ranching. Many corporate farms or ranches owning livestock or equipment would probably have sufficient business reasons to require the shareholder-employee to reside on the farm or ranch. The furnishing of such lodging would be based on the need to care for the livestock and the need to monitor or protect farm or ranch property. In many cases the lodging would also be justified due to the distance from other accommodations.

Meal—Requirements for Exclusion

Meals furnished by an employer without charge will be regarded as furnished for the convenience of the employer if they are furnished for a "substantial non-compensatory business reason".² Conversely, if the meals are furnished to the employee as a means of providing additional compensation, and not for a substantial non-compensatory business reason, the meals will not be excluded under Section 119. However, if the meals are provided for a compensatory reason as well as a substantial non-compensatory business reason, the

furnishing of such meals will still be regarded as furnished for the convenience of the employee.

The regulations provided the following examples of substantial non-compensatory business reasons:¹

1. The nature of the employer's business is such that the employee must be available for emergency calls during the employee's meal period.
2. The nature of the employer's business is such that an employee must restrict his meal period to a short time and, as such, the employee could not be expected to eat elsewhere in this period.
3. The nature of the employer's business is such that the employee cannot otherwise secure proper meals within a reasonable meal period (for example, because of insufficient eating facilities in the vicinity).

Section 1.119-1(c) (2) of the regulations provides that Section 119 is applicable only to meals furnished "in kind" by an employer, and the Internal Revenue Service has taken the position that the term "in kind" refers only to meals that have been prepared for consumption and does not include groceries furnished to the employee with which he prepared the meal.⁴ This view was upheld by the Tax Court and the Ninth Circuit in *Tougher*,⁵ involving a taxpayer employed by a government agency in a remote area. He purchased groceries from a government commissary and unsuccessfully sought to exclude from his wages the purchase price of the goods. The Tax Court, relying on the ordinary meaning of the word "meals", stated that the term "connotes to us food that is prepared for consumption at such recognized occasions as breakfast, lunch, dinner or supper, or the equivalent thereof," and held that food supplies in their raw form did not qualify as meals.⁶

Lodging—Requirements for Exclusion

Lodging also must be furnished for the convenience of the employer for the value of the benefit to be excluded from the employee's income.⁷ Also, as with meals, there must be an objective business necessity for providing the lodging to the employee. Therefore, the courts have typically upheld the exclusion in situations where, as a practical matter, the employee could not properly carry out his duties the lodging were not supplied.

Where the employer's convenience is not enhanced by the proximity of the employee, because, for example,

extensive duties necessitating his presence at unusual time is not required, or the lodging is furnished at the employee's preference,⁸ exclusion is not applicable. Nor does Section 119 apply where the lodging is supplied primarily for the convenience of the employee.⁹ However, the fact that the lodging serves the convenience of the employee is irrelevant so long as it is established that the facility is furnished for the convenience of the employer.¹⁰

Lodging, like meals must be furnished on the "business premises of the employer". This generally means the place of employment—that is, the place where at least a significant portion of the employee's duties are to be performed. The Tax Court has construed "business premises" to mean premises on which the company carries on some of its business activities or living quarters that constitute an integral part of the business property.¹¹

Most often the key inquiry with respect to lodging is whether the employee is required to accept such lodging as a condition of his employment. As made clear by the Tax Court in *Dole*,¹² it is not enough that the employer insists that the employee accept such lodging; it must also be shown that the lodging was necessary for the employee to perform his duties adequately. Regs. 1.119-1(b) provides: "Lodging will be regarded as furnished to enable the employee properly to perform the duties of his employment when, for example, the lodging is furnished because the employee is required to be available for duty at all times or because the employee could not perform the services required of him unless he is furnished such lodging."

The "condition of employment" test does not require that the lodging furnished by the employer be so vital to the performance of the employee's duties that it would be virtually impossible for the job to be performed without the specific lodging. Instead, the test is whether a residence for the employee is a job necessity due to the nature of the employer's business.¹³ In *Caratan*¹⁴ a closely held corporation engaged in farming required supervisory and management personnel to reside on the farm in company-owned lodgings. The Tax Court held the value of the lodgings taxable on the ground that the "condition of employment" test required that lodgings be both indispensable to the employee's job performance and necessary in the sense that no satisfactory housing be available within a reasonable distance of the employer's place of business. The Ninth Circuit reversed and held that the indispensability of lodging need not be demonstrated, so long as the taxpayer could show that he was required to be

"available for duty at all time" as suggested by Regs 1.119-1(b). Also, the availability of nearby housing was irrelevant to the issue.

An employer will often supply the employee with items necessary to properly use the meals or lodging furnished to them, and the exclusion of Section 119 has been extended to these related items as well. Thus, the Internal Revenue Service has ruled that lodging furnished to an employee for the convenience of the employer includes the value of any necessary utilities unless the employee contracts for and purchases the utilities directly from the supplier.¹⁵ Thus the term lodging includes items such as heat, electricity, gas, water and sewerage service. Items also included are household furnishings¹⁶ and telephone service.¹⁷

Benefits Available

By utilizing Section 119 a corporation can in various situations provide its shareholder-employee with free meals and lodging without income being taxed to the shareholder-employee. At the same time the corporation can deduct the cost of such meals and lodging as ordinary and necessary business expenses and depreciation. Thus no income tax is required to be paid by either the shareholder-employee or his corporation with respect to the earnings used to furnish the meals and lodging of the shareholder-employee are financed with before-tax dollars which can result in a sizable benefit.

A question which is likely to arise is whether the term "employee" includes the families of such employees who share in meals or lodging furnished to the employee. There is no mention of this probability in the Code or regulations. A Ruling issued in 1959 interpreted an employee to mean just himself.¹⁸ It stated that the value of meals and lodging furnished a wife and children should be included in gross income. The Ruling was withdrawn in 1960 with the comment that it had been reconsidered. Effective for tax years beginning after December 31, 1977, P.L. 95-615 (the Foreign Earned Income Act) expanded the scope of the Code Section 119 exclusion to include meals and lodging furnished to the spouse and dependents of an employee. It appears that Congress has no clear-cut intention to limit the expanded scope of Section 119 to foreign income situations.

Why Exclusion Has Been Denied

Where a court has found that lodging furnished to a shareholder-employee failed to come within the exclusionary language of Section 119, it has usually been due to the fact that the corporation had other employees on the business premises which negated the need of the shareholder-employee residing on the business premises.¹⁹ In addition, if proof is insufficient to establish that there is a substantial business need for anyone to reside on the business premises, the exclusion has been denied.²⁰

In some cases there was evidence that the day-to-day operations of the business were in the hands of a foreman, manager or superintendent rather than the shareholder-employee. Even more damaging would be evidence that the shareholder-employee had previously lived elsewhere and no change in circumstances had occurred to establish the present need for the shareholder-employee to reside on the business premises.

However, the only result of a court holding that the meals and lodging furnished to a shareholder-employee did not come within the exclusionary language of Section 119 is that the fair market value of such meals and lodging is includable in the shareholder-employee's gross income. The result is no different than if the shareholder-employee had never incorporated, and the meals and lodging were paid by himself. The consequences of failure should not, therefore, be consideration in determining whether to pursue the tax benefits provided in Section 119.

Application to Farm and Ranch Corporations

Meals and lodging furnished to a shareholder-employee by the corporation in a farm or ranch enterprise is a prime area for the application for the exclusion of meals and lodging provision. If a corporate farm or ranch is involved in intensive livestock management (such as operating a dairy), then sufficient business reason exist to require the shareholder-employee to reside on the farm or ranch premises. Poultry raising, greenhouse-plant nursery operations, and irrigated crop production are other key areas for exploring the use of the meals and lodging exclusion. An examination of relevant cases in the farm and ranch area will elucidate the important points which have resulted in court decisions favorable to the shareholder-employee.

The first significant case under the 1954 Code involving a shareholder-employee was that of **Wilhelm**.²¹

In 1960 W.E. Dover and his wife, along with their daughter and son-in-law (the Wilhelms), transferred livestock, equipment, land and buildings to a newly formed corporation. All common shares were owned by the Dovers and Wilhelms. Also on the day of incorporation, an election was filed by the corporation electing to have its income taxed directly to its shareholders under Subchapter S.

The corporation's 1961 Federal income tax return was audited and the Government disallowed amounts deducted for the food and lodging (in the form of depreciation on the residences) furnished by the corporation to its shareholder-employees. In the ensuing action the court, in addition to sustaining the deductibility of the food and lodging by the ranch corporation, also held that these same amounts were excludable from the gross income of the shareholder-employees under the provisions of Section 119. The court ruled that the corporation could not be disregarded as a separate taxable entity. Accordingly, the value of food and lodging furnished by the corporation to the taxpayers did not amount to a constructive dividend but, instead, was excludable from gross income since it was furnished primarily for the convenience of the corporation in operating its business.

The taxpayers in *Wilhelm* were able to provide a very detailed justification of the furnishing of meal and lodging for the convenience of the employer. Constant attention was required to tend the cattle in winter, to keep water holes open, and to guard against thieves and trespassers. Emphasis was also placed on the remoteness of the ranch location and the lack of other nearby housing. The court stated that there is no requirement in Section 119 that the employee may not exclude from his gross income the value of the food and lodging furnished by his employer because the employee, too, is inconvenienced.

In *Caratan*,²² the taxpayers, husband and wife and relatives, owned 95% of the stock of a California farming corporation and were employed by the company in a supervisory capacity. The company had a policy, established by the taxpayers in their capacity as members of the board of directors, requiring all supervisory and management personnel to reside, free of charge, in company-owned lodging on the farm premises. The respective residence of the taxpayers ranged from a distance of two to six miles from the farm, or approximately ten minutes driving time.

The Tax Court decided against the excludability of the lodging by the taxpayers because they had not

satisfied their burden of showing that the lodging furnished was "indispensable to the proper discharge of their employment duties". The court said that the short distance to their home made it possible to perform their duties had they resided at their relatively nearby residences, even in the case of emergencies. The mere availability of the lodging or its desirability did not, in the Tax Court's view, satisfy the condition of the lodging being a "requirement" of their employment. Moreover, the court was of the opinion that a heavier burden rested upon the taxpayers in this case because of the relationship between these "employees" and the corporation.

The Ninth Circuit, however, reversed the Tax Court. In the Ninth Circuit's view, it is not necessary to show that the duties would be "impossible" to perform without such lodging being available. Contrary to the Tax Court's approach, in the view of the Ninth Circuit, the mere availability of nearby housing is not important.

The court said that language of the Regulation pertaining to the feasibility of performance without furnishing lodging is joined disjunctively ("or") with the phrase concerning the requirement that the employee be available at all times. Had the Regulation been intended to say that an employee whose duties required constant availability also must have no access to feasible alternative housing, the phrases would have been joined conjunctively ("and"). The Court did not make references to the Tax Court's placing a heavy burden on the taxpayers who bear close relationship to their corporation.

Again, as in *Wilhelm*, the court considered the lodging as it related to the proper performance of duties. Emphasis was placed on the need to carry out repairs and irrigation in the evening hours, the need for close supervision of uneducated workers with language difficulties, and the continuous nature of farming 24 hours a day.

*McDowell*²³ involved a Subchapter S corporation where the sole shareholder was also an employee of the corporation. The principal business of the corporation was the leasing of ranch land to the shareholder's three sons for cattle grazing. The shareholder-employee required to live eight months per year on the ranch to supervise operations involving extensive irrigated acreage. The court record states: "Almost daily during the month of April through November, F.R. McDowell inspects ditches, headgates of the irrigation system and buildings; oversees irrigation operations, spraying of sagebrush, operation of draglines for clearing irrigation canals; hires painters and roofers for the buildings; and

performs some of the tasks connected with irrigation by operating his tractor."²⁴

The court found that the services performed by the McDowells could not be performed if they did not reside on the ranch and, further, that they resided on the ranch for the convenience of the corporation and the personal benefit derived by them was incidental. Thus the taxpayers could exclude the value of meals and lodging furnished to them. As in previous cases the court was much impressed with the detailed duties requiring constant attention and, also, the terms of the lease requiring operation of the premises in accordance with good agriculture practices, justifying the need for close inspection of the ranch.

The latest case in this sequence is that of **Harrison**,²⁵ emphasizing the tenacity of the Internal Revenue Service in pursuing this issue. Harrison farm Ltd, was a corporation organized in Kansas to conduct grain and dairy farming. The Harrisons were officers, employees and sole shareholders of the corporation. The board of directors adopted a resolution stating that the corporation was authorized to pay for the meals and lodging of its employees who were also its officers. The resolution stated that in return the officer/employees were required to maintain their residences on the farm and to remain on call for the convenience of the corporation to handle corporate problems and emergencies.

The taxpayers argued that the nature of the operation of the farm corporation required constant supervision and availability of personnel on a 24-hour basis to deal with varied and unpredictable farm problems. The corporation had extensive farming and dairy operations. Detailed descriptions were given by the taxpayers regarding their daily work schedules.

The corporation deducted as an ordinary and necessary business expense the value of groceries, utilities and telephone service furnished to the Harrisons. In addition, the Harrisons did not report these items as income. The Internal Revenue Service considered these items as dividends of the corporation (consequently nondeductible) and as ordinary income to the Harrisons.

The court ruled that in this case groceries did constitute meals since it was the duty of corporate employees to obtain the food and prepare and serve meals which the corporation provided all of its employees, whether such employees were officers or not. The court thus stated that the corporation served "meals" to its employees and that **Tougher**²⁶ is distinguishable. The requirements of Section 119 were met with regard to meals served and consumed on the

business premises.

The key issue with regard to lodging in order to enable him to perform properly the duties of his employment. The court held that the unpredictable timing of problems requiring immediate attention (e.g., escaped cattle, broken milk coolers, and calf birth) made it necessary that personnel be available at all hours. Thus lodging was required as a condition of employment.

Since commodities which are necessary to make lodging habitable constitute "lodging", the utilities were excludable under Section 119. The court ruled that telephone service was not necessary to make lodging habitable, and since the taxpayers presented no evidence of the business use of the telephone, such use was held to be personal must be included in gross income.

Thus the courts in general have usually found in the taxpayers' favor when proper evidence is submitted to establish the conditions of being furnished for the convenience of the employer and that, for lodging, the employee be required to accept it as a condition of employment. These conditions can normally be met by such farm and ranch endeavors as dairy and poultry operations, irrigated farming, cattle ranching, and nursery-greenhouse operations. Any farmer or rancher who is paying more than a minimal amount of tax and is engaged in such intensive agricultural enterprises should seriously evaluate the merits of incorporation. Not only the residence and utilities of the farmer or rancher, but also all meals of his family can be furnished with earnings on which no income tax has to be paid.

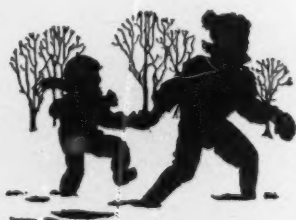
Planning Recommendations

In structuring Section 119 situations, one should be innovative and thorough in writing employment contracts and corporate resolutions. Lack of adequate documentation and forethought may result in loss of the exclusion. In addition, transactions between a shareholder-officer and his closely held corporation should be carefully documented, since these transactions are subject to close scrutiny.

It should be emphasized that the meals and lodging exclusion will not apply to all farm and ranch enterprises. There must be a valid business reason for providing the meals and lodging. By following the concepts evolved by the courts in the cases presented above, one can determine when the exclusion is applicable in specific farm and ranch enterprises and thus avoid the use of the exclusion in situation where no substantial business purpose exists.

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- ²*Regs.* 1.119 - 1(a) (2).
- ³*Regs.* 1.119 - 1(a) (2) (ii).
- ⁴*Revenue Ruling 77-80*, 1977-1 CB 36.
- ⁵*Tougher*, 51 TC 737 (1969).
- ⁶*Ibid.*, p. 745.
- ⁷*Regs.* 1.119 - 1(b).
- ⁸*McDonald*, 66 TC 223 (1976).
- ⁹*Leonard J. Ruck, Inc.*, 28 TCM 63, Tc Memo 1969-16.
- ¹⁰*Okjer*, 32 TC 464 (1959), acq., 1960-1 CB 5; *Setal*, 20 TCM 780, TC Memo 1961-156.
- ¹¹*Dole*, 43 TC 687 (1965) aff'd per curiam, 351 F2d 308, 65-2 USTC P. 9688, 16 AFTR 2d 5756.
- ¹²*Ibid.*
- ¹³*Caratan*, 442 F2d 606, 71-1 USTC P. 9353, 27 AFTR 2d 71-1200, rev'g 52 TC 960 (1969); The U.S. Junior Chamber of Commerce. 334 F. 2d 660, 64-2 USTC P. 9637, 14 AFTR 2d 5223.
- ¹⁴*Caratan*, 442 F2d 606, 71-1 USTC P. 9353, 27 AFTR 2d 71-1200, rev'g 52 TC 960 (1969).
- ¹⁵*Revenue Ruling 68-579*, 1968-2 CB 61.
- ¹⁶*Turner*, 68 Tc 48 (1977).
- ¹⁷*Hatt*, 28 TCM 1194, TC Memo 1969-229, aff'd 457 F2d 499, 72-1 USTC P. 9301, 29 AFTR 2d 72-591.
- ¹⁸*Revenue Ruling 59-409*, 1959-2 CB 48, withdrawn by *Revenue Ruling 60-348*, 1960-2 CB 41.
- ¹⁹*Atlantic Biltmore Hotel Corp.*, 349 F2d 677, 65-2 USTC P. 9573, 16 AFTR 2d 5285.
- ²⁰*Ruck*, 28 TCM 63, TC Memo 1969-16; *Nicath Realty Co.*, 25 TCM 1260, TC Memo 1966-246.
- ²¹*Wilhelm*, 257 F Supp 16, 66-2 USTC P. 9637, 18 AFTR 2d 5563.
- ²²*Supra*, n. 14.
- ²³*McDowell*, 33 TCM 372, TC Memo 1974-72.
- ²⁴*Ibid.*
- ²⁵*Harrison*, 41 TCM 1384, TC Memo 1981-211.
- ²⁶*Supra*, n. 5.



INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS (Seasonally Adjusted) 1969 = 100

Indicator	October 1982	September 1982	October 1981
Retail Sales	148.0	157.7	144.8
Electric Sales	215.2	206.5	203.3
Telephones in Service	224.2	225.4	231.2
Gasoline Gallonage		138.3	146.4
Loans of Savings & Loans Institutions	15.5	86.4	74.7

Sales Indicated By Sales Tax Collections During October, 1982 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,372	32,695	Lowndes	1,581	39,574
Alcorn	1,004	30,144	Madison	793	25,247
Amite	123	2,733	Marion	663	15,696
Attala	328	8,753	Marshall	350	7,878
Benton	48	1,027	Monroe	717	19,919
Bolivar	812	20,367	Montgomery	200	4,742
Calhoun	247	6,135	Neshoba	416	10,548
Carroll	107	2,647	Newton	326	7,911
Chickasaw	295	7,468	Noxubee	173	4,441
Choctaw	92	2,127	Oktibbeha	669	15,197
Clallborne	851	31,206	Panola	580	14,287
Clarke	224	5,859	Pearl River	595	14,608
Clay	332	9,467	Perry	110	2,446
Coahoma	804	20,686	Pike	1,043	23,891
Copiah	346	7,996	Pontotoc	259	6,209
Covington	307	7,335	Prentiss	316	8,609
DeSoto	814	23,080	Quitman	174	4,719
Forrest	2,225	61,376	Rankin	1,641	50,070
Franklin	78	1,976	Scott	454	11,281
George	212	4,820	Sharkey	143	3,176
Greene	77	1,686	Simpson	445	11,213
Grenada	549	15,251	Smith	125	2,938
Hancock	544	14,597	Stone	182	4,220
Harrison	4,089	105,713	Sunflower	579	28,906
Hinds	8,763	258,986	Tallahatchie	208	4,732
Holmes	303	6,924	Tate	311	7,735
Humphreys	268	6,663	Tippah	310	9,660
Issaquena	30	1,101	Tishomingo	328	9,180
Itawamba	342	10,762	Tunica	145	3,528
Jackson	2,600	81,408	Union	344	8,804
Jasper	268	5,993	Walshall	190	4,470
Jefferson	77	1,810	Warren	1,223	28,640
Jeff Davis	196	4,736	Washington	1,670	42,514
Jones	2,192	52,941	Wayne	424	9,465
Kemper	98	2,341	Webster	142	3,304
Lafayette	612	14,325	Wilkinson	189	4,356
Lamar	291	7,983	Winston	303	6,930
Lauderdale	2,218	60,069	Yalobusha	193	4,528
Lawrence	173	4,396	Yazoo	586	17,742
Leake	279	6,573			
Lee	2,151	69,350			
Leflore	1,012	26,208			
Lincoln	761	20,634			
			State Total	61,533	1,702,992

MEET THE FACULTY



Dr. Garry Smith
Marketing Department

Dr. Garry Smith has been Associate Professor of General Business since 1980. Before coming to Mississippi State he was Associate Professor and Area Coordinator of Management at Corpus Christi State University in Texas.

He received his MBA and DBA from Louisiana Tech University.

Dr. Smith has recently co-authored two books with Drs. Danny Arnold and Louis M. Capella—**Strategic Retail Management** that will be published in 1983 and **Business Strategy and Policy: Analysis, Choice, and Implementation** to be Published by Houghton-Mifflin.

He has also written several articles with Dr. Arnold that have appeared in the Southern Marketing Associa-

tion periodical, **Proceedings**.

In addition, he has conducted several Small Business Institute consulting projects, conducted feasibility studies for small businesses, and consulting for several hospitals.

Dr. Smith is a member of the Academy of Management, Case Research Association, Southwestern Management Association, Southern Management Association, Sigma Iota Epsilon, Beta Gamma Epsilon, Beta Gamma Sigma, Omicron Delta Epsilon, and the Pi Sigma Epsilon.

He and wife, Charlotte, have two sons, Brad and Ryan.

Tourist Briefs

Dunn's Falls Meridian, Mississippi

"The state must develop additional recreational areas to induce these tourist to linger a while, to spend their money, and to return every year.

There are many attractive areas which the state can easily acquire and develop, but none is more attractive or possess more natural possibilities than the Chunky Creek Area, near Meridian."

This is a quote from a proposal prepared by the Mississippi State Planning Commission. It could have been written this year, but read one more passage from the report to get an idea of when it was written.

"Furthermore, it (tourism) is one of the very few industries which has not been hit by the Depression. In 1937, the amount spent on tourist travel in the U.S. was 5 billion dollars, and the prospect for 1938 is even brighter."

The Dunn's Falls project has been in the works since 1938 and in August 1981, Mississippi's only waterfall became a reality.

Dunn's Falls is located on the Chunky River, south of Meridian, almost on the Clarke County and Lauderdale County line, approximately 15 miles from Meridian. There are two ways to get to the falls, Highway 11 and Interstate 59. Taking I-59, head for Laurel, take the Savoy Exit and turn right at the stop sign, followed by the first left. About 100 yards turn left on a dirt road which curves and passes over the interstate. About one mile further on the right is the falls.

Approximately 126 years ago an Irish immigrant rode his horse into the shallow bed of the Chunky River just north of Enterprise and ended by creating what became one of this area's greatest tourist attractions and natural delights.

The year was 1854, during the South's antebellum period just before the War Between the States and John Dunn was searching for a place to settle.

Dunn, then 34 years of age, had come from Ireland at the age of four with his parents. The Dunns first settled in North Carolina, then Alabama and finally East

Mississippi. He had decided that he might find a good spot in which to settle in the "foothills" of the Appalachian mountain chain. There are two accounts of the finding of Dunn's Falls. One says that while riding up the Chunky, Dunn looked up at one point and saw "a sheet of sparkling water descending the lofty east bank"...

"I think I'll stake a claim," the report goes.

He did and the waterfalls has since borne his name. "Dunn not only had an eye for scenic beauty," says the account, which was published in the "Dixie Roto Magazine" published by the Times-Picayune newspaper in New Orleans on August 29, 1954

"He also recognized a business opportunity when he saw one. The clay in the hills looked suitable for making pottery.

"Accordingly, he established one of Mississippi's early ceramic plants on the site."

Another account characterized Dunn not as the founder of the waterfall, but as the creator.

The historical account says, "At the time, Dunn's Creek flowed within 70 yards of the bluff, then turned back into the highlands to enter the Chunky River through a steep walled valley about a half-mile further south.

"Mr. Dunn constructed a dam which changed the course of the stream and the resulting falls were used to supply power for a grist mill," the account says.

Whichever way history happened, the fact remains Dunn's Falls was pouring water into the Chunky River shortly after Dunn settled at the spot.

Soon after he came, he constructed a three-story frame building for a cotton factory. Wool hats were also manufactured at the mill—called, of course, Dunn's Mill.

An interesting sideline is the report that in the small factory, John Dunn had an apprentice who learned how to make hats. That apprentice later went into business for himself and turned out a hat that would become world famous. His name was John B. Stetson.

According to nearby residents, Stetson's employment at the mill is verified by records in the Lauderdale County Courthouse in Meridian.

The machinery for Dunn's cotton mill was waiting at the Enterprise railroad station when the War Between the States was declared.

The Confederate government confiscated all the machinery plus Dunn's buildings and, under Dunn's supervision, the mill manufactured blankets, hats and knives for the rebel soldiers.

A building was added to the mill. This was used for housing a distillery (the surrounding country side wasn't "dry" then), a blacksmith shop and machinery for carding wool for the making of soldier's clothes.

After the Civil War, Dunn went back to making flour, corn meal, hats and money.

No available records show if Dunn died or merely moved off, but the property changed hands several times down through the years and finally wound up in the hands of several Meridian people.

The last industry there was a water mill. The mill was known for the choice meal it produced.

It also served another purpose. Back in the 1880's, the mill house was a sort of social center for the young people of the region. The floor, made smooth with a sprinkling of meal, was good, as well as spacious, for dancing.

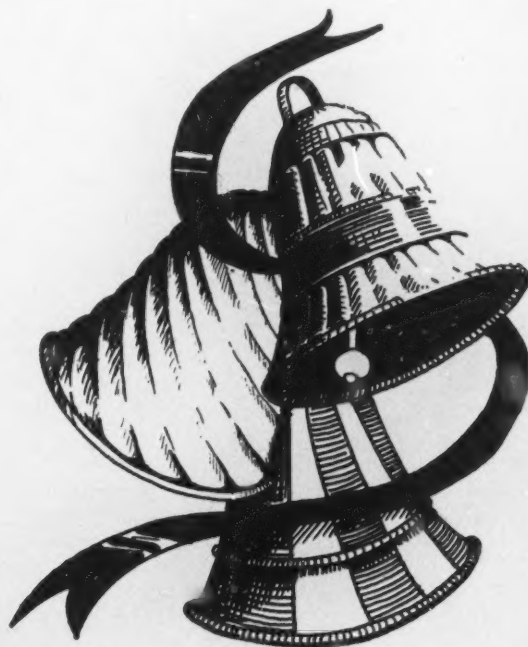
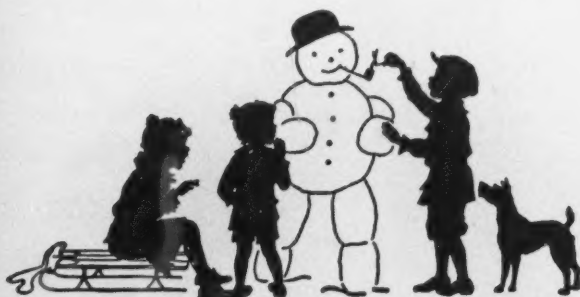
The Falls provided the rhythm of hustling water as an accompaniment for talk when the music stopped.

But now, the mill is gone. The only thing left to remind a passer-by that it was once there is a few foundations.

Plans for the future, however, include developing the Falls into a Water Park with a reconstructed mill and pre-Civil War buildings.

NEW AND EXPANDED INDUSTRY

Town	Firm	Product	No. of Employees
NEW			
Batesville	Kroger Company	Frozen Food Distribution	80
Meridian	Pillard Corporation		
Saltville	Agri-Fuels, Inc.	Anhydrous Ethanol	10
EXPANDED			
Amory	Fabri-Valve	Piping Products	30
		(Moving Corporate Headquarters from Portland, Oregon)	



Personal Income and Annual Relative Change of Personal Income for the United States, and Mississippi, 1962-1981

(Amount in millions of dollars)

Year	United States		Mississippi	
	Amount	% change from prior year	Amount	% change from prior year
1962	442,078		3,010	
1963	465,234	5.2	3,327	10.5
1964	497,268	6.9	3,460	4.0
1965	538,690	8.3	3,779	9.2
1966	586,736	8.9	4,158	10.0
1967	629,204	7.2	4,480	7.7
1968	688,978	9.5	4,907	9.5
1969	738,233	7.1	5,167	5.3
1970	793,485	7.5	5,657	9.5
1971	851,952	7.4	6,215	9.9
1972	935,463	3.9	7,057	13.5
1973	1,045,098	11.7	7,995	13.3
1974	1,147,257	9.8	8,816	10.3
1975	1,258,643	9.7	9,579	8.7
1976	1,385,201	10.1	10,797	12.7
1977	1,532,013	10.6	12,159	12.6
1978	1,716,610	12.1	13,650	12.3
1979	1,939,751	13.0	15,245	11.7
1980	2,160,629	11.4	16,567	8.7
1981	2,411,575	11.6	18,364	10.8

Source: U. S. Department of Commerce, Regional Economics Information System, Bureau of Economic Analysis, Washington, D. C.

Per Capita Personal Income Annual Relative Change of Per Capita Personal Income, and Mississippi-United States Relative Per Capita Income, and Mississippi-South Relative Per Capita Income, 1962-1981

Year	UNITED STATES		MISSISSIPPI		SOUTHEAST	
	Amount	% change from prior year	Amount	% change from prior year	Amount	% change from prior year
						MS Relative to South
1962	2,386		1,342		1,772	75.7
1963	3,474		1,481		1,864	79.5
1964	2,608	3.7	1,542	10.5	1,985	5.2
1965	2,788	5.4	1,682	4.1	2,140	6.5
1966	3,005	6.9	1,852	9.1	2,341	7.8
1967	3,188	7.8	2,011	10.1	2,521	9.4
1968	3,457	6.1	2,211	8.6	2,761	7.7
1969	3,667	8.4	2,327	9.9	2,981	9.5
1970	3,893	6.1	2,547	5.2	3,208	8.0
1971	4,132	6.2	2,770	9.5	3,458	7.6
1972	4,493	6.1	3,094	8.8	3,829	7.8
1973	4,980	8.7	3,451	11.7	4,279	10.7
1974	5,428	10.8	3,777	11.5	4,692	11.7
1975	5,842	9.0	3,991	9.4	5,031	9.7
1976	6,367	7.6	4,443	5.7	5,543	7.2
1977	6,971	9.0	4,943	11.3	6,085	10.2
1978	7,792	9.5	5,486	11.0	6,826	9.8
1979	8,638	11.8	6,079	11.1	7,353	12.1
1980	9,511	10.9	6,557	11.1	8,104	7.7
1981	10,517	10.1	7,256	7.9	9,011	10.2
		10.6		10.7		11.1
						80.5

Source: Data derived from unpublished data from the U. S. Department of Commerce, Bureau of Economic Analysis.

STATE ECONOMIC INDICATORS

Indicator	October 1982 ¹	September 1982 ²	October 1981 ³	Per Cent One Month Ago ⁴	Change One Year Ago ⁵
EMPLOYMENT, EARNINGS AND HOURS⁶					
Total Employment	935,000	934,700	960,800	-0.	-4.7
Non-Ag Employment	796,200	795,900	826,100	0.3	-29.9
Mining	12,400	12,500	12,900	-0.1	-0.5
Contract Construction	39,700	40,200	42,300	-0.5	-2.6
Manufacturing	201,900	205,200	222,900	-3.3	-21.0
Transportation and Public Utilities	41,000	40,200	41,700	0.8	-0.7
Wholesale and Retail Trade	162,500	163,000	163,500	-0.5	-1.0
Finance, Insurance and Real Estate	32,900	32,900	33,200	-0.	-0.3
Service	122,000	120,400	122,500	1.6	-0.5
Government	183,700	181,800	187,100	2.1	-3.4
Unemployment Rate (Per Cent Labor Force)	12.2	12.2	7.6	—	—
Average Weekly Earnings in Manufacturing (Dollars)	255,820	248,580	240,730	2.9	6.3
Average Hourly Earnings in Manufacturing (Dollars)	6,480	6,440	6,110	0.3	5.7
Average Weekly Hours in Manufacturing	39.6	38.6	39.4	2.6	0.5
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁷	2,721	2,791	2,787	-2.5	-2.4
Gasoline Delivered to Dealers (gals.) ⁸					
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁹	2,698	14,800	12,500	-18.8	-78.4
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ¹⁰	1,774,242	2,050,905	1,683,149	-13.5	5.4
Telephones in Service (Number) ¹¹	1,487,340	1,493,427	1,533,693	-0.4	-3.0
RETAIL SALES (000's)¹²					
	1,322,921	1,393,692	1,261,705	-5.1	4.9
Indicator	July 1982	June 1982	July 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹³					
Total Cash Receipts from Farm Marketings	80,294	172,119	123,022	-48.1	-27.4
Cash Receipts from Marketing Livestock	58,419	69,268	79,605	-15.7	-26.6
Cash Receipts from Marketing Crops	30,875	102,851	43,417	-70.0	-28.9

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for June

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹South Central Bell Telephone Company

¹⁰Mississippi Tax Commission

¹¹U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month October	PerCent Month Ago	Change Year Ago	Current Month October	PerCent Month Ago	Change Year Ago	Current Month October	Per Cent Month Ago	Change Year Ago
Aberdeen	9,544	-1.74	1.34	43,455	-0.1	4.5	96,800	106,000	82,100
Baldwyn	4,555	.76	-4.7	18,401	-8.6	1.4	---	---	---
Batesville	9,058	.63	-2.7	56,685	2.4	13.8	326,544	46,000	28,600
Bay Springs	---	---	---	21,254	5.3	7.3	---	---	---
Bay St. Louis	14,372	-1.5	1.8	37,522	-2.5	17.0	---	---	---
Belmont	2,329	0.2	-3.6	10,107	4.0	-1.7	---	---	---
Belzoni	4,949	-0.1	-4.4	31,909	15.9	-3.1	27,500	15,500	19,300
Biloxi	44,463	-0.5	-4.3	274,327	-10.5	20.1	613,040	880,734	568,770
Brandon	11,363	-0.2	-0.2	37,404	-3.7	2.5	---	---	---
Brookhaven	15,488	-0.1	-4.0	112,467	0.8	7.8	124,300	188,500	2,307
Brooksville	1,333	0.2	1.7	2,390	-5.3	-29.3	---	---	---
Canton	10,854	-0.5	-2.4	54,495	-4.2	9.9	---	---	---
Carthage	7,342	0.2	-2.3	39,397	4.5	4.4	77,400	125,900	632,700
Charleston	4,089	-0.3	-3.6	16,347	-8.8	111.5	---	---	---
Clarksdale	19,607	-1.2	-5.8	119,166	-0	9.7	---	---	---
Cleveland	13,576	-0.4	-3.1	93,361	-7.5	-13.4	---	---	---
Collins	4,716	-0.6	0.0	25,488	-42.6	-26.5	32,500	308,300	459,600
Columbia	16,127	-0.2	-1.0	92,277	-3.7	15.9	---	---	---
Columbus	32,553	-0.6	-4.8	221,819	4.4	5.9	576,120	119,888	261,913
Corinth	20,285	-0.5	-3.9	114,670	6.5	13.6	76,810	80,995	168,513
Crystal Springs	5,861	-0.4	-2.4	20,524	4.0	-12.8	16,000	24,900	5,000
Drew	2,893	-0.4	1.5	10,121	1.1	5.3	---	---	---
Edwards	1,697	-0.7	-2.1	3,273	-4.1	-11.2	---	---	---
Ellisville	3,949	-0.7	-4.5	16,129	6.6	-10.9	---	---	---
Eupora	4,395	0.2	-1.9	17,766	11.1	14.2	---	---	---
Fayette	3,349	-0.1	-0.9	12,247	44.4	28.4	---	---	---
Forest	5,033	0.4	-2.0	48,502	-0	-3.8	4,000	163,000	-0
Greenville	35,803	-0.8	-4.2	219,325	-6.2	-5.9	---	---	---
Greenwood	23,013	-0.4	-4.1	147,174	1.4	-14.7	107,295	1,394,532	24,800
Grenada	13,957	-1.2	-3.5	86,479	-2.3	10.0	51,000	47,000	46,000
Gulfport	62,239	-0.3	-2.0	262,758	-10.0	6.2	1,894,593	16,749,206	423,569
Hattiesburg	60,564	-0.3	-2.0	354,237	1.4	3.8	5,654,569	2,101,604	4,987,314
Hernando	7,382	-0.4	-0.8	23,091	3.0	-9.1	45,250	35,750	-0
Hollandale	3,346	0.4	-1.7	13,419	-0.5	1.4	15,000	25,175	16,780
Holly Springs	7,545	-0.7	-1.7	41,614	10.6	6.3	16,000	8,000	-0
Houston	5,566	-0.3	-2.8	32,390	0.1	26.5	18,000	74,500	186,000
Indianola	7,791	-0.2	-0.9	66,669	7.1	10.0	---	---	---
Iuka	5,194	-1.6	-10.7	26,113	-6.1	-13.1	---	---	---
Jackson	224,991	-0.3	-3.0	1,389,690	-6.1	-1.0	10,610,846	3,095,603	25,765,861
Kosciusko	9,141	-0.4	-4.3	51,476	-3.9	-17.3	786,722	33,000	67,200
Laurel	35,203	-0.6	-2.7	267,022	-12.1	-23.5	1,856,932	484,619	858,244
Leland	5,241	-0.3	-1.9	20,528	-4.5	6.9	120,500	4,300	644,714
Lexington	4,890	-0.6	-1.3	19,081	-3.3	-0.7	---	---	---
Louisville	10,475	-0.1	-3.1	44,878	-10.3	-5.7	224,204	104,604	-0
Lucedale	8,415	-0.4	-2.6	35,041	3.6	6.0	202,000	2,200	72,000
Lumberton	2,912	-0.8	-2.6	8,375	-19.3	3.6	---	---	---
Macon	3,723	-0.2	-1.5	16,263	7.0	17.8	---	---	---
Magee	5,485	-0.2	-0.6	42,150	-4.8	2.4	---	---	---
Magonolia	4,257	-0.4	-3.0	8,819	6.9	-2.8	---	---	---
Marks	5,243	-0.6	-5.1	14,322	-0.7	-17.6	---	---	---
McComb	19,716	-0.5	-3.0	131,499	3.6	5.4	58,813	94,285	165,400
Meadville	---	---	---	4,902	-0.5	10.3	---	---	---
Mendenhall	6,581	-0.2	-2.0	20,669	9.6	6.6	37,500	30,900	12,000
Meridian	46,232	-0.3	-4.1	340,047	-6.8	2.1	2,086,636	699,840	388,828
Monticello	5,022	-0.5	0.6	18,348	-5.9	-0.4	---	---	---
Morton	3,624	0.1	-0.5	18,874	-4.2	12.3	---	---	---
Moss Point	16,230	-0.6	-2.2	48,334	-13.1	9.5	156,300	117,637	119,517
Natchez	30,323	-0.2	-1.5	217,416	-2.2	1.2	306,665	267,925	340,735
New Albany	11,331	-0.5	-1.9	54,325	3.0	-2.5	183,000	219,000	119,500
Newton	4,145	0.4	-0.8	25,465	16.9	13.0	36,000	-0	23,620
Ocean Springs	15,413	-0.7	-4.9	70,133	-8.7	10.0	632,208	451,902	-0
Okolona	3,373	-0.0	-3.7	13,427	-6.3	11.7	---	---	---
Oxford	21,303	-0.1	-2.2	96,339	14.2	15.2	99,200	373,575	814,750
Pascagoula	36,796	-0.6	-0.4	191,500	-6.9	2.1	---	---	---
Pass Christian	5,697	0.0	-1.3	15,019	6.7	54.3	---	---	---
Philadelphia	11,769	0.0	-1.8	53,429	-6.5	5.8	---	---	---

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month October	PerCent Month Ago	Change Year Ago	Current Month October	PerCent Month Ago	Change Year Ago	Current Month October	Per Cent Month Ago	Change Year Ago
Picayune	15,974	-0.5	-1.7	81,081	-4.9	1.4	369,000	456,750	271,000
Pontotoc	9,295	-0.4	-3.3	39,873	22.6	7.3	---	---	---
Poplarville	4,313	0.0	1.0	17,434	15.3	3.0	57,000	58,500	239,000
Port Gibson	6,092	1.3	2.0	13,120	-10.3	-12.5	---	---	---
Prentiss	---	---	---	20,626	-3.0	13.9	3,000	-0-	5,100
Quitman	4,977	0.0	-1.0	23,313	3.7	-15.0	---	---	---
Raymond	3,338	-0.4	-0.2	4,965	34.0	23.3	---	---	---
Richton	1,915	-0.7	-3.9	9,244	9.8	2.9	8,000	413,000	-0-
Rosedale	1,529	-1.0	-4.3	6,856	-7.9	-1.9	---	---	---
Ruleville	1,911	0.0	-1.1	11,397	-6.5	-11.0	---	---	---
Sardis	3,142	0.0	-10.4	16,395	-1.2	-8.8	4,000	5,000	31,000
Senatobia	6,852	-0.2	-2.5	43,112	4.4	16.2	58,000	359,450	1,630,000
Shelby	1,579	-0.6	-3.1	9,075	4.4	-12.5	---	---	---
Starkville	15,310	-0.4	-40.0	99,291	2.6	3.5	3,900	313,500	373,274
Summit	1,687	-0.4	-1.2	9,788	-9.3	8.2	---	---	---
Taylorsville	1,803	0.2	-1.0	10,093	-8.2	5.5	---	---	---
Tchula	1,946	-0.6	-2.9	3,969	6.3	-18.6	---	---	---
Tunica	4,116	-0.5	-3.5	14,553	5.7	1.3	---	---	---
Tupelo	36,947	-1.0	-3.6	313,107	-1.3	15.0	527,000	859,989	347,955
Union	2,880	-0.4	0.1	14,788	-22.8	16.9	---	---	---
Utica	3,075	-0.6	-2.0	8,658	-2.3	-24.9	---	---	---
Vicksburg	38,238	-0.3	-4.0	185,225	1.2	7.3	614,925	216,817	191,805
Walnut Grove	1,076	0.6	0.7	1,932	28.7	18.5	---	---	---
Water Valley	4,172	-0.3	-2.6	22,452	12.5	-6.0	---	---	---
Waynesboro	7,872	-0.1	-1.2	59,481	-0.4	-4.1	---	---	---
West Point	12,302	-0.3	-2.6	51,033	-11.1	9.4	123,350	79,800	47,689
Wiggins	6,274	-0.3	-1.0	23,645	-12.0	5.1	31,000	110,500	26,500
Winona	4,932	-0.3	-2.3	30,153	-13.0	6.5	118,450	-0-	32,650
Yazoo City	12,323	-0.5	-2.6	59,686	-17.4	-2.5	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

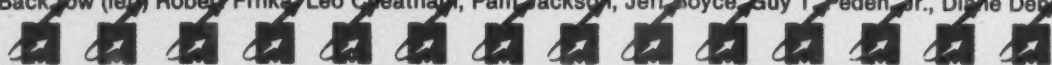
JACKSON [Hinds and Rankin Counties]	October 1982	September 1982	October 1981	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	159,100	159,300	161,000	-0.1	-1.2
Unemployed Persons	13,600	13,700	9,500	-0.7	43.2
Per Cent of Labor Force	8.5	8.6	5.9	---	---
Employed Persons	145,000	145,600	151,500	-0.4	-4.3
Non-Ag Wage & Salaries	124,400	124,400	130,700	-0-	-4.9
Manufacturing	18,900	18,900	18,200	-0-	3.9
TELEPHONES IN SERVICE	244,464	245,281	251,627	-0.0	-0.3
CITY SALES TAX COLLECTIONS	1,443,990	1,534,354	1,459,080	-0.1	-0.0
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	67,940	67,590	66,570	0.5	2.1
Unemployed Persons	7,150	6,800	4,340	5.2	64.8
Per Cent of Labor Force	10.5	10.1	6.5	---	---
Employed Persons	60,790	60,790	62,230	-0-	-0-
Non-Ag Wage & Salaries	51,220	51,170	53,080	0.1	-3.5
Manufacturing	8,960	9,000	8,540	-0.4	4.9
TELEPHONES IN SERVICE	112,399	112,783	115,693	-0.3	-2.9
CITY SALES TAX COLLECTIONS	552,104	612,728	485,604	-9.9	13.7

*Preliminary

*Merry Christmas
and a Happy New Year
from the
Division of Business Research*



Front row (left) Sadia Al-Jibouri, Loura Cartee, Janis Bryant, Pam Tiller, Dale Adams
Back row (left) Robert Frnke, Leo Cheatham, Pam Jackson, Jeff Royce, Guy T. Peden, Jr., Diane Denny.



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MISSISSIPPI BUSINESS REVIEW



January, 1983

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MISSISSIPPI STATE UNIVERSITY

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Interest Rates

by
Dr. Billy Jack Eatherly

Anyone of my age cannot help but be astounded by the rapidity with which rates of interest have progressed from a subject fit only for peers of the Rothschilds to the center of cocktail party banter. Indeed, it is not entirely unfair to say that during the postwar period a second-generation nation of shopkeepers has become a nation of loan sharks as well (or, perhaps, instead). Nevertheless, as public interest in interest has bounded ahead, public knowledge has lagged behind. What seems called for is a great intellectual leap to lift understanding closer to the level of current conversation. Unfortunately, several centuries of specialized thinking about interest rates are not of much help in interpreting what is happening to them lately. The more one has studied recent financial developments, the less easy he feels with his understanding of them.

The facts of interest are reasonably clear. Jones lends Smith \$1 for one year, at 10%/year interest. Jones expects to receive from Smith two things in one year: (1) the \$1 principal and (2) 10 cents interest. Since the transaction is, after all, a loan, hardly anyone ever considered it unreasonable for Jones to get his \$1 back at some point. The puzzle is the 10 cents interest, which Jones did not give Smith in the first place. Why should Jones receive more than he gave in the first place? Why should Smith pay more than he got?

Strange as it may seem today, most of society's "best minds" before the eighteenth century held that, ideally, Jones should **not** receive more than he lent in the first place—that interest really boiled down to stealing. The argument was simple: Smith would be willing to pay more than he borrowed only if he found doing so inescapable; if his crop had failed he and his were facing starvation, for example. The moral authorities of the day found no effective difference between the threat of superior force of weapons or of wealth; taking with either was theft. Thus, "usury", which originally meant charging any interest on a loan at all, was a mortal sin;

he who did so was endangering his immortal soul; he who induced another to do so was tempting the lender to endanger **his** immortal soul. The moral admonition was double-edged: "neither a borrower nor a lender be", with the emphasis on the latter.

Of course, even the best minds recognized certain rough edges on this view. For one thing, it was far from clear how the essentials of interest could be prevented without prohibiting all exchange between buyers and sellers. Smith could sell Jones something for \$1 and agree to buy it back for \$1.10 in one year. Since any exchange was viewed as involving a certain amount of exploitation of the buyer by the seller, prohibition of all purchase and sale would have been quite consistent with the moral ideal, but there was a problem of how to accomplish this when virtually nobody produced exactly what he needed to live. Thus, advance thinkers came to feel that although interest, and all exchange, for that matter violated a moral ideal, it would have to be allowed as a concession to an imperfect world. Additionally, the heaviest borrowers were not poor and weak, but powerful and often noble. It was hard to see how the nobility were exploited by lenders (hard for anyone but the nobility, that is).

However, the real mystery in this point of view seems never to have occurred to the best minds or any others. If, indeed, Jones is in a position to steal from Smith, why does he stop at 10 cents on a dollar? Of course, the same question could be raised about any exchange: why doesn't the seller steal even more from the buyer, if he can? When this question was finally raised in the eighteenth century, it led to a wholly new and radical point of view toward exchange generally, and toward interest in particular: that exchange which is reasonably voluntary on both sides can be and generally is of benefit to both the buyer and seller. How can this be so? Because the object exchanged may have a different value to the buyer and the seller, and the volun-

tary nature of the exchange creates a presumption that each party actually ends up with what he values the most.

Consider Smith and Jones. Smith wants to buy something costing \$1 now, but not enough to give up buying \$1's worth of anything else now. Without borrowing, he simply won't have it until he is willing to give up \$1's worth of something else. Broadly considered, this is simply society's way of telling him he can't have everything, which seems reasonable enough. However, with Jones' cooperation, he can have the \$1 item and not give up \$1's worth of anything else, at least not now. He can induce Jones to agree to share with him this matter of not having everything. Of course, Jones does not enter into this agreement for nothing. Smith must agree to allow Jones to have his turn in one year and to throw in an extra ten cents worth. The social effect is to channel goods sooner to those to whom early availability is more important, which seem worthwhile enough and is merely a somewhat special case of free voluntary exchange with the same moral results.

The idea that exchange was of mutual benefit to both parties, even in the crude form in which it first appeared, spread quickly among the best minds. There were probably many reasons for this. It provided a rallying point for those who wished to attack what was then literally the old time religion. It provided legitimacy for those engaged in commerce who were beginning to achieve some social status and power. One would like to believe that, additionally, intelligent people seized it up because it was more or less "correct", meaning that it provided profound and fruitful insight into men's dealings with one another, but one can never be sure about this.

For one thing, so far as strict borrowing and lending between members of a more or less closed group goes, the moral of the story seems little different from that of the earlier view, except that the presumed goal of the parties seems to have shifted from how to fit into a rigid, static social order to how to get ahead of one's fellows, a goal which the emerging philosophies of the late eighteenth and early nineteenth centuries rendered increasingly legitimate. The question was not raised as to how Smith managed to get into a position of wanting, or needing, something quickly. The main point was that Jones was going to end up with more than Smith, in this world, at least; and so the earlier advice was modified to "be a lender rather than a borrower, if you can", not much of a moral improvement.

In addition, it was hard for even the best minds to understand how a closed group, considered as a whole, could be made better off by lending and borrowing between individuals within it, since the group collectively could neither lend nor borrow. A full analysis of this point was not accomplished for over a century. Its understanding hinged upon seeing that interest rates not only accomplished a redistribution of purchasing power between individual borrowers and lenders in a group, but played a role in determining what the productive capabilities of the group would be by determining the rate of production of new tools for use by workers. The production of these tools requires that some existing means of production be diverted from items for immediate use, which means that somehow the group must be induced to relinquish such items—they must save (not spend all of their current income). The idea emerged that people, collectively considered, will save if (and perhaps only if) they can consume at greater rates in the future, which they can if the tools produced prove to enhance the productive powers of the group sufficiently. Thus, interest rates came to be viewed as performing two jobs; (1) redistributing purchasing power between those who want more now and those who are more willing to wait and (2) matching up the desires of the group as a whole for future good (its "thrift") with the physical possibilities of producing such goods by enhancing the tools available for use in production (the "productivity of capital").

For whatever reason, however, this radical set of ideas (now called "classical") largely displaced older views and began to assume the character of an old time religion itself, although less literally so than the older views. Naturally, thinkers appeared who were more than willing to attack this new orthodoxy if for no other reason than that it was, after all, orthodox. Karl Marx led an assault in the mid-nineteenth century on the whole notion of individual property which to date has captured, one way or another, a considerable majority of the human race. But the intellectuals of this movement have produced no new insights on interest rates, and have spent most of their efforts on attempting to reconcile the manifest existence, even in the socialist world, of phenomena which are indistinguishable from interest rates with the Marxian dogma that common property makes them unnecessary.

The main intellectual challenge to classical views on interest rates came from the ideas of John Maynard Keynes, which swept up most of the best minds, (at least the young ones) of the depressed 1930's. Keynes and his followers attacked orthodox notions on interest rates on three counts. First, they felt that people tend to save a fairly fixed fraction of their income regardless of the rate of interest and that, since this is so, the main job interest rates must do is keep the society's rate of investment in line with an ever-rising volume of saving as incomes grow. Second, since the productive power of tools tends to decline as more and more of them are provided per laborer, investment can only be kept in line with saving if the interest rates fall to reflect this reduced productivity. Third, interest rates will not fall enough to do this unaided, because people have very rigid ideas about what interest rates should be and will react to any tendency of rates to fall by shifting their savings away from loans to investing business firms and toward money itself. So far as understanding interest rates themselves, and their social functions, goes, this latter point is the most important, for it implies that interest rates play their main role not by inducing people to save, but by inducing them to hold their savings in forms other than money. The details of the analysis which led Keynesians to this view are quite technical, not to mention somewhat unconvincing. The most important implication of the "liquidity preference" concept of interest rates (an obscure name if ever there was one) is that government can lower interest rates by raising the amount of money available to be held (and, incidentally, the volume of loans made available through banks), and that it should do so to avoid chronic unemployment.

Now Keynes was not the first person with considerable intellectual credentials to espouse the view that painful social problems could be eased if only there were greater amounts of currency in all denominations or claims to such currency, and it is less than fair to Keynes and most of his followers to say that they felt the main reason we do not all live like Hapsburg princes is that the government, or someone, has not yet printed a sufficient number of green bits of paper, but I, at least, cannot help but feel, looking back over the postwar western experience, that the so-called "Keynesian Revolution", which reached its American peak in the early 1960's, gave motivation for and lent a certain legitimacy to what amounted to a crackpot currency scheme, the main result of which was bound to be inflation, indeed, so far as the United States is concerned an unprecedented inflation, of which we have not yet seen the end. Nor have we seen the end of the Keynesian idea that governments

can lower interest rates by creating money in one form or another.

Nonetheless, by the end of the 1960's, it was reasonably clear that this idea was not correct as it stood. During this decade, the Federal Reserve System followed a policy of expanding the nation's money stock at an accelerating rate. If the Keynesian analysis were correct as presented, interest rates should have fallen, but, by the early 1970's, they were at recorded highs, and the best minds began to look back to one form or another of the classical emphasis on thrift and productivity of capital. They found a possible explanation of the apparently high rates of the 1970's in Irving Fisher's distinction between interest rates in money terms and the "real" terms of exchange between lenders and borrowers.

To see this distinction, consider again the case of Smith and Jones. Implicit in the example was the assumption that prices of goods and service (or, what is the same thing, that the purchasing power of money) did not change over the year of the loan. Thus, when the loan was repaid, Jones really could have 10% more of something as a result of having made the loan, and Smith really would have to do with 10% less of something as a result of having accepted it. But suppose prices rise by 20% over the year. To buy what he could have bought with \$1 when he made the loan, Jones would have to have \$1.20 at the end of the year. Since he receives only \$1.10, he finds himself in a position of being able to buy 10 cents less as a result of having agreed to wait. Smith, on the other hand, bought something which would have cost \$1.20 in one year, and only has to repay \$1.10, thereby being enabled to buy 10 cents more than if he had waited a year to buy the item. The real purchasing power transfer was a negative 10 cents from borrower to lender, which is simply another way of saying it was a transfer of 10 cents from lender to borrower. Fisher summarized all this by saying that "real" interest rates are money rates less the rate of increase of prices over the period of the loan. When they negotiate the loan, neither the lender nor the borrower know for sure what the rate of increase of prices will turn out to be over the period of the loan, but we can certainly expect them to guess at this number and embody it in their loan terms. If they do so, interest rates in money terms will be the sum of the real rate lenders and borrowers think they will receive and pay and their guesses about the rate of inflation over the period of the loan.

Fisher experimented with the notion that borrowers and lenders form their guesses about inflation rates over the period of the loan by implicitly constructing

averages of past inflation rates (in technical terms, they form "adaptive expectations"). If they do this, a sustained period of excessive money growth may raise interest rates in money terms, not lower them as Keynesians predicted. This explanation seemed to some thinkers to fit the facts of the late 1960's and early 1970's reasonably well, and they argued that money rates of interest should be viewed as including a "real" component plus a more or less complex average of past inflation rates.

Others were not so sure. Viewing interest rates as including some sort of forecast of future inflation rates seemed to them reasonable enough, but to view these forecasts as averages of past inflation rates seemed overly mechanistic. Why should not borrowers and lenders use more information than this to form their forecasts? Indeed, why should they not use all information worth using and form "rational expectations"? This idea, which originated in the early 1960's, led Eugene Fama, of the University of Chicago, (*American Economic Review*, June 1975) to examine postwar American interest rates and conclude that the Fisher explanation should be turned around. Instead of using past rates of inflation to explain current loan terms, Fama argued that those loan terms are reasonably efficient forecasts of future inflation rates. Empirical research on these ideas has burgeoned and can now stake a plausible claim to being the "state of the art" in interest-rate economics.

Which is not to say that it is an entirely satisfactory state. The main result so far seems to me to be a negative one. Classical thinkers, attempting to track changes in thriftiness and productivity and think through their impacts on growing societies, and Keynesian thinkers, attempting to assess the impact of monetary growth and contraction, were alike attempting to observe what has come to be viewed as the "real" component of interest rates. If the rational expectations view is correct, money terms on loans tell us little about this underlying real component. We must dissect out the implicit inflation forecast to observe the real component, and it is far from clear how this is to be done. Indeed, the only situation in which such a dissection can be done with confidence is when the real component is more or less constant over time—the least interesting case of all. Nonetheless, we cannot expect to get sensible answers unless we form sensible questions, however difficult those questions may prove to be, and perhaps the hard questions raised by rational expectations are a step in the right direction. To my mind, the implications of the rational expectations notion go far beyond financial markets to the very heart of social science generally. The

philosophical foundation of Adam Smith's system of "natural liberty" was the notion that thinking, more or less correct, was not confined to an elite class of society but was common to all men in their dealing with one another. Despite the veneration accorded Smith's view, it seems to have had little impact, up to now, on empirical work, perhaps because it raises questions very difficult to answer with methods designed for studying nonhuman nature. Perhaps the rational expectations work will finally bring us to grips with the really important issues of economics. But, again, perhaps not.

Thus the state of interest-rate economics. The thinking layman, finding the visual appeal of high-order nonlinear partial differential equations lacking, may fairly ask what the point of all this specialized economics thinking is. Does it, for example, help us to understand the social world? Perhaps the most honest answer would be that we thought it did until very recently. A brief review of the facts of postwar interest rates will show why I think this is so.

Fortunately, such a review is facilitated by Roger G. Ibbotson, Rex A. Sinquefeld, and Lawrence B. Siegel's recent history of return on investments (*University of Chicago, Center for Research in Security Prices, Working Paper No. 71, February, 1982*). A fair characterization of postwar interest rates in the United States is that they were low (often negative) when adjusted for changes in the purchasing power of money. An investor who embarked upon a portfolio of Treasury Bill in 1945, for example, lost over 20% of the purchasing power of his initial investment by 1980. Investors in longer-term debt securities, either of the Treasury or of corporations, did even worse, despite the rise of money rates of interest to record levels over this same period. Perhaps the main mystery of this period is why debt of all forms did not expand even more than it did when inflation-adjusted costs of such debt were so often negative, especially in the early and later parts of this period. All in all, the rise in money rates relative to real rates over the late 1960's and the entire 1970's fits reasonably well with increasingly certain expectations of higher inflation rates. And such expectations, however formed, certainly do not seem unreasonable in light of American experience with inflation rates since the mid-1960's. But in 1981, those of us who study these matters were surprised as inflation-adjusted interest rates moved up from negative values to positive levels which the United States has not seen for 50 years. Inflation-adjusted Treasury Bill rates did not average as much as 2.5%/year during any year between 1945 and 1980. In 1981, they averaged close to 6.0%/year, and moved even higher during early 1982. The United States

has not experienced real rates at these levels since the late 1920's and early 1930's. And in the early 1930's, high real rates of interest were largely due to falling prices, not to high money rates on loans, while in 1981-82 money rates have been high.

How are these high real costs of short-term borrowing to be explained? (The ultimate costs of long-term borrowing, naturally, will not be known for some time yet.) The rational expectations view offers two alternatives: (1) both lenders and borrowers are overpredicting the future rate of inflation and/or (2) some event or set of events has motivated lenders to ask and borrowers to offer extraordinarily high real prices for short-term loans. Accepting either explanation or any combination requires that we probe deeper into why lenders and borrowers are so wrong for so long and/or what pushed their ability to demand and willingness to pay up so much. The answers certainly are far from clear, even after the fact. Before the fact, back in 1980, I don't know of anyone who was forecasting this rise in real rates.

Of course, it's usually not too hard to concoct an explanation after the fact. The problem is that, if one can be found which fits the facts, an infinite number can, by varying appropriate "constants" (as anyone who has ever been called upon to explain why his forecasts were wrong knows). It's a lot harder to know what's going to happen next. That's what makes this period so interesting to an economist and so hard on an investor's digestive tract.

Sales Indicated By Sales Tax Collections During November, 1982 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,415	33,480	Lowndes	1,499	36,934
Alcorn	1,035	30,505	Madison	828	25,190
Amite	118	2,672	Marion	629	14,838
Attala	349	9,071	Marshall	377	8,712
Benton	55	1,299	Monroe	712	19,954
Bolivar	788	19,470	Montgomery	203	4,559
Calhoun	236	5,952	Neshoba	428	11,064
Carroll	115	3,121	Newton	330	8,478
Chickasaw	274	6,609	Noxubee	170	4,413
Choctaw	119	3,189			
Claiborne	357	20,749	Oktibbeha	680	14,963
Clarke	185	4,628			
Clay	340	9,571	Panola	572	14,229
Coahoma	782	19,578	Pearl River	632	14,814
Copiah	390	9,183	Perry	223	9,589
Covington	605	13,112	Pike	1,019	22,735
			Pontotoc	275	6,819
DeSoto	758	21,252	Prentiss	335	8,461
Forrest	2,237	59,278	Quitman	177	4,449
Franklin	86	2,223			
			Rankin	1,677	51,391
George	237	5,399			
Greene	80	1,833	Scott	496	12,309
Grenada	523	14,203	Sharkey	146	3,161
			Simpson	418	9,956
Hancock	516	13,465	Smith	137	3,170
Harrison	4,115	103,160	Stone	170	4,028
Hinds	8,799	249,283	Sunflower	632	45,834
Holmes	346	8,000			
Humphreys	267	6,796	Tallahatchie	215	4,925
			Tate	322	7,606
Issaquena	125	4,918	Tippah	311	9,873
Itawamba	329	9,969	Tishomingo	323	10,085
			Tunica	163	3,938
Jackson	3,024	105,933			
Jasper	242	5,376	Union	344	9,721
Jefferson	72	1,754			
Jeff Davis	180	4,261	Walthall	183	4,332
Jones	2,148	52,348	Warren	1,252	28,652
			Washington	1,654	42,379
Kemper	109	2,463	Wayne	507	11,098
			Webster	135	3,218
Lafayette	545	12,876	Wilkinson	155	3,861
Lamar	278	7,630	Winston	297	6,932
Lauderdale	2,187	57,191			
Lawrence	158	3,857	Yalobusha	213	5,387
Leake	245	6,311	Yazoo	619	17,324
Lee	2,125	68,134			
Leflore	1,080	27,350			
Lincoln	750	19,642	State Total	82,315	1,730,021

INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS [Seasonally Adjusted] 1989 = 100

Indicator	November 1982	October 1982	November 1981
Retail Sales	142.9	148.0	161.7
Electric Sales	207.7	215.2	190.8
Telephones in Service	223.5	224.2	231.4
Gasoline Gallonage	140.8	142.8	128.2
Loans of Savings & Loans Institutions	72.4	15.5	48.6

Success Factors of Mississippi Real Estate Professionals

by
Dr. Gary A. Williams
and
Dr. Oris L. Odom II

INTRODUCTION

The real estate brokerage industry in Mississippi has grown rapidly during the past decade as more and more people determine to enter what they generally perceive as a remunerative profession. Even though most who undertake the process of gaining salesman's and broker's licenses do so in expectation of financial reward, it is obvious that some are much more successful than others.

Previous studies have not focused on the factors which contribute to achieving success. Several national studies seem to concentrate more on factors related to attitudes, practices, and strategies rather than success. (1:3:5) A prior study of brokers and salesmen in Mississippi presented almost exclusively descriptive data. (2:4)

PURPOSE

Therefore, this research was undertaken to identify the characteristics of those individuals who are successful in real estate brokerage and selling. In addition to the descriptive nature of the study, it was the intention of the researchers to attempt to develop a model which would explain the relationship between the relevant factors and degree of success of licensed real estate brokers and salesmen in Mississippi.

Because of the exploratory nature of the study, no hypotheses (other than the obvious one that some factors are related to success in real estate brokerage and selling) were developed. It was hoped that the nature of the data would identify the hypotheses which were relevant to the study.

LIMITATIONS

Because of the nature of the study and the time and monetary constraints imposed upon the researchers, it was concluded that the only type of data which could be acquired were the self-reported responses of a sample of the licensed brokers and salesmen in Mississippi. Thus, information about the personalities, affective traits, etc., of the respondents would be impossible to acquire. Therefore, the study concentrates on characteristics of the respondents which the researchers believed could be rather straight-forwardly collected through questionnaires and interpreted. This, of course, limited the scope of the study by delimiting the areas of investigations.

The only area of concern as far as voracity of response was that of the self-reported income figure. While it is recognized that such a subject is touchy, the responses received lead the researchers to believe that little upward bias is present. Furthermore, the categorization of responses may have alleviated the problems which sometimes arise of the respondent not knowing exact figures.

PROCEDURES

After initial determination of areas to be explored the limitation of the research to the more cognitive areas of the respondents' characteristics, questionnaires were developed for both brokers and salesmen. A cover letter was also developed.

Using alphabetical lists of all currently-licensed brokers and salesmen in Mississippi obtained from the Mississippi Real Estate Commission as the sampling frame, a proportional systematic sample of 832 names

(347 brokers and 485 salesmen) was selected. The appropriate questionnaires were mailed in late June with a requested return date of July 15. By the end of July, 100 broker and 64 salesman questionnaires in usable form had been returned. An additional eight were returned without enough relevant information, and about a dozen were returned at later dates and were not included in the analysis.

The questionnaires were then coded and keypunched and various descriptive statistics were computed using the appropriate SPSS sub-routines. Finally the data were subjected to statistical tests—t-tests and simple, partial and multiple correlation and regression—in an attempt to identify any significant relationships.

Of the 832 questionnaires mailed, 164 (19.7%) were returned in usable form. This compares to an overall response rate of 18.3% in an earlier study of Mississippi brokers and salesmen. (2:3) Of these 164, 100 were brokers' questionnaires, which amount to 28.8% of the total 347 brokers. Sixty-four were, therefore, salesmen's questionnaires, which amount to 13.2% of the total 485 salesmen's questionnaires mailed. Because of time and expense, it was not possible to attempt to gain a larger response rate through followup.

ANALYSIS OF THE DATA

Description of the Sample

The data were first analyzed descriptively using the "Frequencies" and "Condescriptive" subroutines of SPSS. The results are as follows.

Brokers

The subsample of brokers had held their broker's license an average 8.11 years, with a range of from less than one year to 56 years. They had previously held a salesman's license an average of 1.93 years, ranging upward to 13 years.

Of the 100 respondents, 16 had met their educational requirement through college courses and 25 from GRI courses sponsored by the National Association of Realtors. The remaining 59 of the respondents had been licensed prior to the inception of education requirements in 1977.

There are, on average, 5 license holders (brokers and salesmen) associated with the responding brokers in their offices with a range of from one to 21.

Only 17 of the responding brokers were associated with one of the national franchise organizations. On the other hand 76 were associated with a local board of realtors, and 60 participated in a multiple listing service. On average, the respondents held membership in fewer than one other professional association, although

some respondents held membership in as many as eight. Of the 100 respondents, 64 profess to participating in continuing education, while 58 have a college education.

Of the 72 male and 28 female respondents, the average age was 45.7 years.

On average, approximately 70% of their activity was residential, and 26% was as the listing broker. They professed to spend, on average, 63% of their work-time in real estate related activities, with, of course, a range from zero to 100%. They also report an average income \$21,725, ranging upward to \$57,500.

Salesmen

The subsample of 64 salesmen held their salesman's licenses on average for 3.34 years, with a range upward to 20.

Twenty-one (32.8%) had met the licensing educational requirement to be attending college courses and 22 (34.4%) by attending GRI courses. The remainder had obtained their licenses prior to the inception of the education requirement in 1977.

Of the salesmen responding, the average number of licensed associates in the office was 7, with a range of from 1 to 25. And 18 (28%) reported affiliation with a national franchise group. Over 53% were members of the local board of Realtors and 51 (79.7%) participate in a multiple listing service. On average, they held membership in fewer than four other professional organizations, although some held membership in as many as three groups. Forty-two (65.6%) participated in continuing education program, while 33 (51.6%) held college degrees.

Forty-one (64.1%) had been licensed under only one broker; however, the average was 1.47 brokers, with some 14 (21.9%) having been licensed under two brokers, and 7 (11%) having been licensed under 3 or more.

Males accounted for 36 (56.3%) of the sample and females, 28. Their average age was 40 years.

The salesmen report an average \$12,617 typical annual income, ranging upward to \$77,500, while spending and average of 59% of their worktime in real estate related activities.

Identification of Relationships

Simple Correlation

In an initial attempt to identify possible explanatory relationships between relevant factors and success, it was decided to use reported income as proxy of success, because the researchers believed that most

persons in the industry view success in terms of income (5:23). That being the case, simple co-efficients of correlation and determination were computed between income (as the dependent variable) and all other parametric variables. The results are as follows:

**Coefficient of Determination
(Proportion of Explained Variation)**

Variable	Brokers INCOME	Salesmen INCOME
Years as a Salesman (YRSSAL)	.017	.147
Years as a Broker (YRSBRK)	.015	---
Number of Licensed Persons In Office (PRSLIC)	.044	.002
Proportion of Time Spent in Real Estate Related Activities (RETIME)	.255	.182
Proportion of Listings Which are Residential (RESIDEN)	.025	.004
Proportion of Activity Related to Listing (LISTING)	.002	.027
Age (AGE)	.003	.005
Number of Professional Group Memberships (GROUPS)	.102	.36
Number of Different Brokers Licensed Under (DIFBRO)	---	.036

For brokers, the only variable which explains a useful (and significant) amount of variation in income was, as might be expected, RETIME (the proportion of work time which the respondent spends in real-estate-related activities). However for salesmen, both proportion of work time spent in real estate and the length of time holding licenses both seem to explain useful (and significant) amounts of variation in income.

Tests of Significance

In examining the effect of the nonparametric variables upon income, tests of significance first were conducted for the brokers and salesmen subfiles. The results were as in Table 1 below.

The results indicated that the following nominal variables may affect brokers' incomes:

1. Membership in a local board
2. Membership, Multiple Listing Service
3. Participation in Continuing Education

In all three cases, those who responded positively tended to have substantially higher incomes.

The results for salesmen revealed that the following nominal variable may affect income:

1. Local board membership
2. Sex
3. Membership in a franchise group

Table 1

Variable	Brokers		Salesmen	
	F	a	F	a
Education Requirement	.011	.9157	.997	.3240
Local Board Membership	9.127	.0032*	10.324	.0021*
Member, Multilist	16.979	.0001*	.006	.9404
Sex	.242	.6241	5.485	.0224**
Member, Franchise Group	.343	.5594	6.192	.0155**
Participation in Continuing Education	11.172	.0012*	2.219	.1414

* Significant at = .01

** Significant at = .05

Positive responses for board membership and franchise membership were associated with higher incomes while males reported substantially higher incomes than females.

Interestingly, only one factor was common to both groups—membership in a local Board of Realtors.

In planning further analysis, and to be able to combine the analysis of non-parametric variables with metric ones, the following nominal variables were proxied with dummies:

- Local Board Membership
- Multiple Listing Service Participation
- Sex
- Franchise Group Membership
- Participation in Continuing Education

As might again be expected, the major portion of variation in income (some 25%) is explained by the proportion of work time the respondent spends in real-estate-related activities. The total number of years spent as licensed real-estate professionals (both as salesmen and brokers) accounts for an additional 3%. Participation in continuing education activities added 2.4% to R^2 , while board membership added approximately 1%. Sex explained an additional 1% (males had slightly but insignificantly higher incomes). Finally, the proportion of business which is residential (rather than commercial, industrial, or agricultural) accounted for an insignificant change in R^2 . (It should be noted that the simple r^2 was .025, considerably more than is shown in the current multiple model.)

Multiple Regression

In further analysis, stagewise multiple regression was employed to identify further possible relationships.

In examining the model developed to include first order interactions, the interaction between membership in a local Board and participation in multiple-listing program, as expected, was high, since oftentimes the two occur simultaneously. Therefore, multiple listing participation was deleted from the model, and the fully-saturated model was developed. The results were as follows:

Table 2
Brokers

	Multiple R	R Square	RSQ Change	Simple R
Percent Working Time in RE.....	.50453	.25455	.25455	.50453
Total Years in Real Estate.....	.53371	.28484	.03030	.15969
Continuing Education.....	.55546	.30854	.02369	.31990
Board Membership.....	.56312	.31711	.00857	.29188
Sex.....	.57250	.32776	.01065	-.04960
Percent Residential.....	.57320	.32856	.00080	-.15928

In summary, the multiple model defined herein results in the explanation of about 33% of the income variable for brokers by the following standardized model:

Brokers		
	Beta	F
Proportion of Working Time in RE	.44347	33.46
Total Years Experience in RE	.15856	19.32
Participation in Continuing Ed	.15702	14.28
Local Board of Realtors Membership	.13723	11.03
Sex	-.30208	9.17
Proportion Residential	-.05752	7.58

All variables have positive signs except the final two, which indicate that males earn slightly more than females and that the proportion of residential business is inversely related to income of brokers, as one would probably anticipate.

For salesmen, the nominal variables to show significance were local board membership, sex, and franchise membership. Including those in multiple regression analysis, following the procedure described above, resulted in the following shown in Table 3.

Again proportion of time spent in real-estate-related activities explained the major portion of the variation in income ($R^2 = .518236$), and total years experience explained an additional 12.5%. Sex (with a negative coefficient meaning males earn more than females) accounted for 4.5%, and franchise and board membership each accounted for between 3.5% and 4% of explained variation. Continuing education appears to play a smaller, though still important role for salesmen than for brokers, accounting for about 1%. The proportion of business which is residential adds little explanation.

In summary, the model for salesmen results in the explanation of about 44% of variation in income. The following table shows the standardized beta coefficient for this model.

Salesmen		
Variable	Beta	F
Proportion of Time in RE	.26343	13.83
Years Experience	.28575	13.52
Sex	-.35917	10.87
Franchise Membership	.24941	9.40
Board Membership	.23048	8.60
Continuing Education	.01991	7.30
Percent Residential	.05038	6.21

Table 3
Salesmen

	Multiple R	R Square	RSQ Change	Simple R
Percent Working Time in RE.....	.42703	.18236	.18236	.42703
Total Years.....	.55419	.30713	.12477	.38298
Sex.....	.59343	.35215	.04502	-.28509
Franchise Membership.....	.62395	.38931	.03716	.30134
Board Membership.....	.65241	.42563	.03632	.37782
Continuing Education.....	.65918	.43452	.00889	.18588
Percent Residential.....	.66101	.43694	.00242	.06489

Although the last variable to enter, the proportion of business which is residential adds rather little to R^2 , the interesting point is that, for salesmen, the relationship is positive, while for brokers, it is inverse, as shown earlier.

Summary

In summary, it appears that the major factors affecting income of brokers (as elucidated from this analysis) are 1) the proportion of work time the broker spends in real-estate-related activities, 2) total years in the real estate industry, and 3) participation in a continuing education. Other factors, though statistically significant, are of less importance. For salesmen, the major relevant factors were, again 1) the proportion of work time spent in real-estate-related activities, 2) years as a salesman, 3) sex, 4) franchise membership, and 5) board membership. Other factors exhibit less relationship, though the remaining factors in the model all exhibit statistical significance.

Conclusion

In the case of brokers, the variables defined above account for approximately 33% of the variation in income; for salesmen, about 44%. While this amount may be useful, especially when judged against the included variables, additional analysis, to include relevant affective factors not measure in this research, should assist in explaining additional variation in income of real estate brokers and salesmen in Mississippi.

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Tourist Briefs

Museum of COCA-COLA Biedenharn Candy Company Museum Vicksburg, Mississippi

In the summer of 1894, a young candy merchant named Joseph A Biedenharn of Vicksburg, had an idea that was to shape the American, and later the international, soft drink industry. He took a popular fountain beverage known as Coca-Cola, put it in bottles and shipped it into the rural areas outside the Vicksburg City limits.

It was the first time Coca-Cola had been sold in bottles. Mr. Biedenharn created a wholly new concept of marketing the beverage and established the cornerstone of the independent network of franchised bottlers who now distribute bottled Coca-Cola all over the world.

Joseph Biedenharn, born in 1866, was the eldest of twelve children, and went into the candy business founded by his father and uncle while still in his teens. Later Mr. Biedenharn and his brother acquired franchises to bottle in Shreveport and Monroe, Louisiana, and Texarkana, Wichita Falls, San Antonio, Temple and Uvalde, Texas.

The restoration of the candy store and soda-fountain room was made from an old photograph and from information in the state insurance files and includes display cases, shelves, gas light fixtures, floors, etc., as close to the original as humanly possible. The room with the bottling equipment also has an interesting assortment of original Coca-Cola memorabilia covering the years 1890-1924.

Available in the restored 1894 Retail Store is an assortment of fresh delicious candies and many interesting souvenirs of Coca-Cola. Located on 1105 Washington Street, the Museum is owned and operated by the Vicksburg Foundation for Historic Preservation.

MEET THE FACULTY

Dr. Dennis Bialaszewski



Dr. Dennis Bialaszewski is Assistant Professor in the Business Statistics and Data Processing Department in the College of Business and Industry. Before coming to Mississippi State, Dr. Bialaszewski was Assistant Professor in the Department of Business Administration at the State University College of New York at Fredonia.

He received a B.S. in Mathematics from Canisius College and an M.A. in Economics from State University of New York at Buffalo. He completed 33 graduate credit hours in Mathematics from the State University College of New York at Buffalo as a foundation for his Ph.D. in Economics (with a thesis area in Econometrics) from the State University of New York at Buffalo.

Dr. Bialaszewski has several publications and paper presentations. He is either the author or coauthor of a total of eight different papers accepted for presentation

at seven professional meetings during the current 1982-1983 academic year. Five of these will be published in whole or in part as part of the conference proceedings. He has also served as a paper reviewer for the 1983 Southeast American Institute of Decision Sciences meeting.

Dr. Bialaszewski has received the New York State Chancellor's Award for Excellence in Teaching. He has also published in the journal **Improving College and University Teaching**.

Dr. Bialaszewski is a member of the American Statistical Association, the Institute of Management Science, American Institute of Decision Science as well as other organizations.

Dr. Bialaszewski wife, Karen, is a doctoral student in the College of Business and Industry and they have a daughter, Jessica.

NEW AND EXPANDED INDUSTRY

Town	Firm	Product	No. of Employees
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NEW

Batesville	King-Seeley Thermos	Thermos Products	500
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Jackson	Quikrete	Concrete	12
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Shaw	Prime Source, Inc.	Screen Printing	35
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EXPANDED

Booneville	Prentiss Manufacturing Company	Men's Shirts	50
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Houston	Vector Industries	Carpet Cushions	25
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Meridian	Structural Steel	Steel	
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Philadelphia	Chata Enterprises	Wiring Harnesses	200
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Sardis	Outboard Marine Corp.	Engines & Lawnmowers	100
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Tupelo	Blue Bell, Inc.	Apparel	125
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Vicksburg	Vertec Chemical Corp.		
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The following are new industries reported by the North Mississippi Industrial Development Association for the year 1982, and were not listed in this section.

Location	Company	Product	Employment
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Columbus	Carbonic Industries	Liquid Carbon Dioxide	15
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Mantee	Mantee Furniture Company	Living Room Furniture	16
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Vardaman	Vardaman Jacket Company	Jackets	67
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West Point	Bella Maria Foods	Ravioli	5
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	Southern Ionics, Inc.	Specialty Chemicals	10
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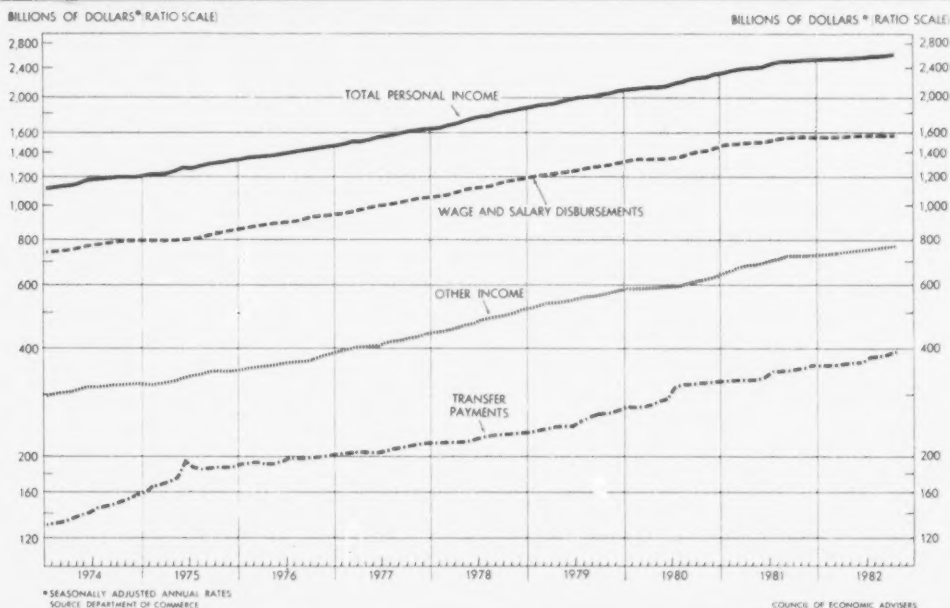


Since April, 1982, the Building Permit portion of the Business Activity by City has been incorrectly labeled "Percent Change". Figures actually published were in dollars. We regret any inconveniences caused by these errors.

THE EDITOR

SOURCES OF PERSONAL INCOME

Personal income rose \$19.0 billion (annual rate) in October, following a rise of \$5.9 billion in September. Transfer payments were largely responsible for the October rise: unemployment insurance benefits rose \$5.7 billion (\$4.5 billion of which was due to extension of benefits up to ten additional weeks) and cost-of-living adjustments added \$2.0 billion to other transfer payment programs. Wages and salaries rose \$1.8 billion in October, compared with a decline of \$0.5 billion in September.



[Billions of dollars; monthly data at seasonally adjusted annual rates]

Period	Total personal income	Wage and salary disbursements ¹	Other labor income ^{1,2}	Proprietors' income ³		Rental income of persons ⁴	Personal dividend income	Personal interest income	Transfer payments ⁵	Less: Personal contributions for social insurance	Nonfarm personal income ⁶
				Farm	Nonfarm						
1974	1,168.6	765.7	55.8	26.5	62.2	29.5	29.1	112.4	141.2	47.9	1,131.8
1975	1,265.0	806.4	64.5	24.6	65.4	23.0	29.9	123.2	174.3	50.4	1,229.1
1976	1,391.2	889.9	75.9	19.1	75.0	23.5	36.5	132.5	194.3	55.5	1,359.3
1977	1,540.4	983.2	89.4	19.1	84.8	24.8	39.6	152.8	207.9	61.1	1,506.5
1978	1,732.7	1,106.3	102.5	26.3	92.2	26.6	45.3	178.4	223.8	69.8	1,689.7
1979	1,951.2	1,237.6	114.9	31.9	100.2	27.9	50.8	218.7	250.3	81.1	1,899.3
1980	2,160.4	1,356.1	127.2	19.4	96.9	32.9	55.9	263.4	297.2	88.7	2,117.3
1981	2,415.8	1,493.9	140.4	24.0	100.7	33.9	62.5	329.0	336.3	104.9	2,364.1
1981: Oct	2,487.2	1,528.9	144.7	26.3	99.0	33.6	65.0	349.7	347.1	107.0	2,431.8
Nov	2,499.0	1,534.2	145.8	24.7	100.1	33.6	65.2	351.1	351.5	107.2	2,444.6
Dec	2,497.6	1,530.5	146.9	22.8	99.5	33.6	65.4	352.1	353.6	106.8	2,444.6
1982: Jan	2,499.1	1,535.7	148.0	19.9	98.6	33.7	65.6	355.5	352.4	110.3	2,448.6
Feb	2,513.8	1,546.6	149.1	17.3	98.4	33.9	65.9	359.8	353.8	110.9	2,465.5
Mar	2,518.6	1,542.6	150.2	16.3	98.8	34.0	65.9	363.8	357.5	110.6	2,470.8
Apr	2,535.5	1,546.6	151.3	16.9	99.3	34.1	66.1	368.0	363.9	110.8	2,486.8
May	2,556.2	1,560.4	152.5	17.3	100.3	34.2	66.2	372.0	364.8	111.6	2,506.9
June	2,566.3	1,562.9	153.6	18.0	100.2	34.3	66.1	376.0	366.9	111.7	2,516.0
July	2,590.4	1,569.5	154.6	17.3	100.9	34.5	66.6	379.7	379.7	112.4	2,541.8
Aug	2,595.8	1,570.3	155.5	16.5	101.7	34.6	67.3	382.4	380.1	112.5	2,549.0
Sept	2,601.7	1,569.8	156.5	15.9	102.5	34.7	67.7	384.6	382.5	112.4	2,556.6
Oct	2,620.8	1,571.6	157.2	18.0	103.5	34.8	68.4	386.4	393.3	112.4	2,573.4

¹ The total of wage and salary disbursements and other labor income differs from compensation of employees (see p. 4) in that it excludes employer contributions for social insurance and the excess of wage accruals over wage disbursements.

² Consists of employer contributions to private pension, health, and welfare funds; workmen's compensation; directors' fees; and a few other minor items.

³ With inventory valuation and capital consumption adjustments.

⁴ With capital consumption adjustments.

⁵ Consists mainly of social insurance benefits, direct relief, and veterans' payments.

⁶ Personal income exclusive of farm proprietors' income, farm wages, farm other labor income, and agricultural net interest.

Source: Department of Commerce, Bureau of Economic Analysis.

STATE ECONOMIC INDICATORS

Indicator	November 1982 ¹	October 1982 ²	November 1981	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	925,300	935,000	960,500	-1.0	-3.7
Non-Ag Employment	794,600	796,200	821,900	-1.6	-27.3
Mining	12,300	12,400	12,900	-0.1	-0.6
Contract Construction	38,900	39,700	41,600	-0.8	-2.7
Manufacturing	201,300	201,900	218,700	-0.6	-17.4
Transportation and Public Utilities	40,600	41,000	41,400	-0.4	-0.8
Wholesale and Retail Trade	163,300	162,500	164,700	0.8	-1.4
Finance, Insurance and Real Estate	32,800	32,900	33,200	-0.1	-0.4
Service	121,800	122,000	122,200	-0.2	-0.4
Government	183,500	183,700	187,200	-0.2	-3.7
Unemployment Rate (Per Cent Labor Force)	12.7	13.4	9.0	—	—
Average Weekly Earnings in Manufacturing (Dollars)	253.49	255.02	239.85	-0.6	5.7
Average Hourly Earnings in Manufacturing (Dollars)	6.45	6.44	6.15	0.2	4.9
Average Weekly Hours in Manufacturing	39.3	39.6	39.0	-0.8	0.8
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,824	2,721	2,887	3.8	-2.2
Gasoline Delivered to Dealers (gals.) ⁶	116,214	105,938	104,331	9.7	11.4
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	11,490	2,698	7,800	3.26	4.73
Construction Loans	55,000	—	300	—	182.33
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	1,640,910	1,774,242	1,544,495	-7.5	6.2
Telephones in Service (Number) ⁹	1,482,241	1,487,340	1,534,973	-0.3	-3.4
RETAIL SALES (000's) ¹⁰	1,350,889	1,322,921	1,453,976	2.1	-7.1
Indicator	August 1982	July 1982	August 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹¹					
Total Cash Receipts from Farm Marketings	95,864	89,294	112,084	7.4	-14.5
Cash Receipts from Marketing Livestock	76,359	58,419	83,107	34.1	-5.7
Cash Receipts from Marketing Crops	17,505	30,875	28,977	-43.3	-39.6

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for July

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹South Central Bell Telephone Company

¹⁰Mississippi Tax Commission

¹¹U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	Telephones In Service			City Sales Tax Collections			Building Permits		
	Current Month Nov.	PerCent Month Ago	Change Year Ago	Current Month Nov.	PerCent Month Ago	Change Year Ago	Current Month Nov.	Month Ago	Year Ago
Aberdeen	8,028	-15.9	-4.8	42,164	-2.9	-3.0	8,850	119,800	95,540
Baldwyn	4,550	-0.1	-5.1	20,679	1.2	-0.1	412,245	326,544	15,000
Batesville	9,040	-0.2	-3.2	59,077	4.2	10.1	---	---	---
Bay Springs	---	---	---	19,755	-7.1	-14.2	---	---	---
Bay St. Louis	14,459	6.6	2.1	35,245	-5.1	13.0	---	---	---
Belmont	2,331	0.1	-2.8	8,886	-12.1	-12.0	---	---	---
Belzoni	4,925	-0.5	-4.8	30,859	-3.4	-4.6	4,400	27,500	2,500
Biloxi	44,118	-0.8	-5.1	269,017	-1.9	6.9	59,218	613,040	1,049,563
Brandon	11,297	-0.6	-0.8	37,129	-0.7	5.4	129,600	---	207,000
Brookhaven	15,394	-0.6	-4.8	109,370	-2.8	-1.5	300,000	124,300	111,620
Brooksville	1,335	0.2	1.7	2,228	-6.8	-14.8	---	---	---
Canton	10,805	-0.5	-2.9	58,651	7.6	-0.6	---	---	---
Carthage	7,346	0.1	-2.5	36,650	-7.0	-8.7	27,000	72,400	29,200
Charleston	4,076	0.3	-4.4	14,744	-9.8	-48.8	---	---	---
Clarksdale	19,542	-0.3	-6.0	116,814	-2.0	-4.9	---	---	---
Cleveland	13,554	-0.2	-3.3	94,894	1.6	0.6	---	---	---
Collins	4,697	-0.4	-1.1	43,153	69.3	25.8	37,500	1,700	8,000
Columbia	16,078	-0.3	-1.8	89,707	-2.8	8.8	---	---	---
Columbus	32,327	-0.7	-5.4	217,255	-2.0	1.6	3,150,358	576,120	361,897
Corinth	20,192	-0.5	-4.5	113,770	-0.8	1.6	180,965	76,810	3,623,530
Crystal Springs	5,841	-0.3	-3.2	24,715	20.4	22.9	96,000	16,000	46,000
Drew	2,901	0.3	-0.4	10,905	7.7	7.1	---	---	---
Edwards	1,682	-0.9	-3.3	3,248	-0.8	-7.1	---	---	---
Ellisville	3,945	-0.1	-4.8	17,127	6.2	9.4	---	---	---
Eupora	4,372	-0.5	-2.9	17,246	-2.9	5.4	---	---	---
Fayette	3,339	-0.3	-1.6	7,969	-34.9	22.5	---	---	---
Forest	4,992	-0.8	-3.1	51,892	7.0	12.2	296,500	4,000	---
Greenville	35,747	-0.2	-4.3	228,625	4.2	-7.7	---	---	---
Greenwood	22,973	-0.2	-4.5	150,790	2.5	-1.3	593,100	107,295	2,527,000
Grenada	13,945	-0.1	-3.8	81,220	-6.1	5.8	82,000	51,000	116,000
Gulfport	61,965	-0.4	-2.7	266,413	1.4	9.5	894,058	1,894,593	11,031,298
Hattiesburg	60,433	-0.2	-2.1	340,405	3.9	1.6	739,564	5,654,569	425,895
Hernando	7,370	-0.2	-0.9	24,592	6.5	13.6	3,000	45,250	-0-
Hollandale	3,329	-0.5	-2.4	12,817	-4.5	5.5	---	---	---
Holly Springs	7,543	-0.1	-2.5	40,198	-3.4	-4.7	63,000	16,000	-0-
Houston	5,540	-0.5	-3.5	31,540	-2.6	13.5	185,400	18,000	45,400
Indianola	7,799	0.1	-0.8	71,401	5.5	-1.7	---	---	---
Iuka	5,178	-0.3	-11.0	26,709	2.3	-5.8	---	---	---
Jackson	224,003	-0.4	-3.4	1,375,293	-1.0	1.3	5,128,360	10,610,846	5,038,593
Kosciusko	9,136	-0.1	-4.0	57,338	11.4	13.0	1,151,138	786,722	114,500
Laurel	34,989	-0.6	-3.3	285,814	7.0	-16.9	402,204	1,856,932	216,524
Leland	5,227	-0.3	-2.6	23,006	12.1	7.1	16,530	120,500	57,570
Lexington	4,890	-0.1	-1.5	21,416	12.2	12.6	---	---	---
Louisville	10,446	-0.3	-3.7	40,509	-9.7	-12.6	98,102	224,204	-0-
Lucedale	8,421	0.1	-2.8	34,543	-1.4	3.1	---	---	---
Lumberton	2,894	-0.6	-3.6	8,310	-0.8	-4.9	---	---	---
Macon	3,698	-0.7	-2.2	16,063	-1.2	1.6	---	---	---
Magee	5,460	-0.5	-1.1	40,879	-3.0	4.0	---	---	---
Magonolia	4,236	-0.5	-3.7	7,580	-14.0	-18.9	12,000	10,300	---
Marks	5,203	-0.8	-5.6	15,805	10.4	19.0	---	---	---
McComb	19,603	-0.6	-4.8	123,595	-6.0	2.3	47,500	58,813	160,365
Meadville	---	---	---	4,780	-2.5	-10.4	40,000	---	34,500
Mendenhall	6,551	-0.5	-2.7	20,021	-3.1	19.6	3,200	37,500	-0-
Meridian	46,128	-0.2	-3.9	336,867	-0.9	0.3	428,753	2,086,636	1,217,096
Monticello	5,001	-0.4	-1.0	18,612	1.4	-5.2	---	---	---
Morton	3,621	-0.1	-0.2	19,428	2.9	-2.6	---	---	---
Moss Point	16,154	-0.5	-3.0	50,340	4.2	11.9	80,445	156,833	149,450
Natchez	30,285	-0.1	-2.0	231,089	6.3	-0.7	208,050	306,665	124,564
New Albany	11,299	-0.3	-2.4	56,099	3.3	-0.3	77,802	183,000	111,500
Newton	4,186	1.0	-0.2	24,399	-4.2	9.1	40,000	36,000	121,572
Ocean Springs	15,365	-0.3	-5.0	74,560	6.3	3.1	---	---	---
Okolona	3,355	-0.3	-4.3	13,106	-2.4	-10.2	---	---	---
Oxford	21,257	-0.2	-2.6	86,149	-10.6	2.5	119,200	99,200	94,100
Pascagoula	36,446	-0.9	-1.6	197,768	3.3	5.3	---	---	---
Pass Christian	5,687	-0.2	-1.6	13,491	-10.2	12.4	165,388	326,240	108,740
Philadelphia	11,769	0.0	-1.8	54,064	1.2	-0.9	---	---	---

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month Nov.	PerCent Month Ago	Change Year Ago	Current Month Nov.	PerCent Month Ago	Change Year Ago	Current Month Nov.	Month Ago	Year Ago
Picayune	15,890	-0.5	-2.5	81,685	0.7	4.4	356,000	369,000	529,000
Pontotoc	9,157	-1.5	-4.8	41,647	4.4	7.5	---	---	---
Poplarville	4,295	-0.4	-0.6	16,229	-6.9	-20.7	---	---	---
Port Gibson	6,085	-0.1	1.1	13,486	2.8	-13.1	---	---	---
Prentiss	---	---	---	20,758	0.6	-1.4	0—	3,000	225
Quitman	4,975	-0.0	-1.4	20,174	-13.5	-12.3	---	---	---
Raymond	3,321	-0.5	-0.3	4,560	-8.2	-4.7	---	---	---
Richton	1,912	-0.2	-3.2	10,353	12.0	-1.7	26,500	8,000	0—
Rosedale	1,526	-0.2	-4.2	8,937	30.4	23.4	---	---	---
Ruleville	1,909	0.1	-1.5	12,608	10.6	16.0	---	---	---
Sardis	3,137	-0.2	-10.1	16,052	-2.1	10.7	11,000	4,000	0—
Senatobia	6,860	0.1	-2.5	44,314	2.8	12.7	71,650	58,000	6,000
Shelby	1,590	0.7	-2.4	9,688	6.8	-12.9	---	---	---
Starkville	15,278	-0.2	-40.4	107,987	8.8	8.4	336,355	203,900	245,630
Summit	1,683	-0.2	-2.4	12,006	22.7	26.3	---	---	---
Taylorville	1,799	-0.2	-1.1	12,590	24.7	7.2	---	---	---
Tchula	1,948	-0.1	-2.6	4,165	4.9	8.8	---	---	---
Tunica	4,104	-0.3	-4.0	15,682	7.8	-11.0	---	---	---
Tupelo	36,859	-0.2	-4.1	298,282	-4.7	0—	772,409	527,000	230,060
Union	2,880	0—	-0.6	13,070	-11.6	2.4	---	---	---
Utica	3,065	-0.3	-2.8	8,354	-3.5	-19.5	---	---	---
Vicksburg	38,058	-0.5	-3.8	184,624	-0.3	-6.6	1,192,235	614,925	453,175
Walnut Grove	1,073	-0.3	1.1	691	-64.2	-59.4	---	---	---
Water Valley	4,169	-0.1	-2.6	21,718	-3.3	3.0	---	---	---
Waynesboro	7,860	-0.1	-1.4	66,134	11.2	11.2	2,500	144,250	0—
West Point	12,275	-0.2	-3.0	52,148	2.2	-5.9	31,500	123,350	42,025
Wiggins	6,260	-0.2	-1.6	22,608	-4.4	-0.2	34,650	31,000	27,000
Winona	4,936	0.1	-1.4	30,411	0.9	5.3	---	---	---
Yazoo City	12,319	-0.0	-3.0	68,882	15.4	-2.9	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON (Hinds and Rankin Counties)	November 1982	October 1982	November 1981	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	159,500	159,300	160,600	.13	- 68
Unemployed Persons	13,300	13,800	9,800	-3.62	35.7
Per Cent of Labor Force	8.3	8.6	6.1	---	---
Employed Persons	146,200	145,500	150,800	.48	-3.05
Non-Ag Wage & Salaries	125,800	124,400	131,100	1.13	-4.04
Manufacturing	18,900	18,900	18,100	0—	4.42
TELEPHONES IN SERVICE	243,368	244,464	251,586	-0.4	-3.3
CITY SALES TAX COLLECTIONS	1,428,584	1,443,990	1,447,794	-1.1	-1.3
BILOXI-GULFPORT (Hancock, Harrison and Stone Counties)					
MANPOWER DATA					
Civilian Labor Force	67,730	68,040	66,060	-.46	2.53
Unemployed Persons	7,130	7,230	4,440	-1.38	60.59
Per Cent of Labor Force	10.5	10.6	6.7	---	---
Employed Persons	60,600	60,810	61,620	-.35	1.66
Non-Ag Wage & Salaries	51,270	51,230	52,740	0.08	-2.79
Manufacturing	8,910	8,970	8,440	-0.67	5.57
TELEPHONES IN SERVICE	111,770	112,399	115,968	-0.7	-3.6
CITY SALES TAX COLLECTIONS	548,921	552,104	507,031	-0.6	8.3

Preliminary

Average Monthly Employment Covered by the Employment Security Law By County, 1980 and 1981

SOURCE: Mississippi Employment Security Commission.
Computations by the Division of Business Research,
Mississippi State University.

County	1980	% of State	% of Change	1981	% of State	% of Change
Adams	15,005	1.94	2.40	14,947	1.95	-0.39
Alcorn	12,032	1.56	-6.59	11,622	1.51	-3.41
Amite	2,041	0.26	0.64	2,014	0.26	-1.32
Attala	4,502	0.58	-2.76	4,283	0.56	-4.86
Benton	895	0.12	17.20	812	0.11	-9.27
Bolivar	11,366	1.47	-1.79	11,130	1.45	-2.08
Calhoun	3,534	0.46	-2.15	3,331	0.43	-5.74
Carroll	948	0.12	4.64	851	0.11	-10.23
Chickasaw	6,847	0.89	-2.59	6,793	0.89	-0.79
Choctaw	1,893	0.24	-4.01	1,837	0.24	-2.96
Claiborne	5,808	0.75	-16.00	6,070	0.79	4.51
Clarke	4,479	0.58	2.07	4,415	0.58	-1.43
Clay	6,989	0.90	-0.67	7,066	0.92	1.10
Coahoma	9,911	1.28	-7.80	9,541	1.24	-3.73
Copiah	6,117	0.79	-0.88	5,903	0.77	-3.50
Covington	3,539	0.46	-1.59	3,320	0.43	-6.19
DeSoto	10,994	1.42	3.90	10,810	1.41	-1.22
Forrest	27,282	3.53	4.46	25,812	3.36	-5.39
Franklin	1,334	0.17	4.06	1,323	0.17	-0.82
George	2,427	0.31	6.68	2,386	0.31	-1.69
Greene	1,254	0.16	-9.20	1,108	0.14	-11.64
Grenada	7,816	1.01	-4.04	7,742	1.01	-0.95
Hancock	5,401	0.70	10.02	5,567	0.73	3.07
Harrison	42,637	5.51	3.62	43,033	5.61	0.93
Hinds	117,808	15.24	-0.18	116,037	15.12	-1.50
Holmes	4,380	0.56	2.17	4,305	0.56	-1.71
Humphreys	2,728	0.35	6.02	2,924	0.38	7.18
Issaquena	210	0.03	16.02	275	0.04	30.95
Itawamba	4,634	0.60	-4.24	4,562	0.59	-1.55
Jackson	29,082	5.05	-3.10	39,328	5.13	35.23
Jasper	2,951	0.38	1.13	2,814	0.37	-4.64
Jefferson	1,215	0.16	-2.02	1,408	0.18	15.88
Jeff Davis	1,924	0.25	-2.24	1,747	0.23	-9.20
Jones	20,360	2.63	0.93	21,446	2.79	5.33
Kemper	1,342	0.17	1.51	1,334	0.17	-0.60
Lafayette	9,020	1.17	-0.39	8,629	1.12	-4.33
Lamar	3,156	0.41	-3.34	3,425	0.45	8.52
Lauderdale	25,456	3.29	-2.71	24,952	3.25	-1.98
Lawrence	2,626	0.34	2.58	2,608	0.34	-0.69
Leake	3,758	0.49	3.07	3,857	0.50	2.63
Lee	29,217	3.78	-2.68	28,655	3.73	-1.92
Leflore	13,096	1.69	0.77	13,109	1.71	0.10
Lincoln	7,521	0.97	6.77	7,215	0.94	-4.07

County	1980	% of State	% of Change	1981	% of State	% of Change
Lowndes	19,654	2.54	-2.92	19,217	2.50	-2.22
Madison	8,050	1.04	3.58	8,307	1.08	3.19
Marion	6,568	0.85	-0.36	6,446	0.84	-1.86
Marshall	4,975	0.64	0.12	4,932	0.64	-0.86
Monroe	10,762	1.39	2.64	10,803	1.41	0.38
Montgomery	2,794	0.36	1.27	2,602	0.34	-6.87
Neshoba	6,635	0.86	4.59	6,151	0.80	-7.29
Newton	4,657	0.60	-5.36	4,806	0.63	3.20
Noxubee	2,285	0.30	-5.97	2,284	0.30	-0.04
Oktibbeha	10,472	1.35	2.28	10,531	1.37	0.56
Panola	6,840	0.88	-3.74	6,512	0.85	-4.80
Pearl River	5,923	0.77	-1.45	6,090	0.79	2.82
Perry	1,795	0.23	-4.01	1,641	0.21	-8.58
Pike	10,033	1.30	-3.47	9,932	1.29	-1.01
Pontotoc	4,991	0.65	-5.46	5,006	0.65	0.30
Prentiss	6,029	0.78	-5.10	5,884	0.77	-2.41
Quitman	2,531	0.33	7.47	2,449	0.32	-3.24
Rankin	18,217	2.36	3.70	18,759	2.44	2.98
Scott	7,893	1.02	-0.44	7,736	1.01	-1.99
Sharkey	2,234	0.29	1.92	2,403	0.31	7.56
Simpson	5,822	0.75	-7.59	5,647	0.74	-3.01
Smith	3,200	0.41	0.63	3,180	0.41	-0.63
Stone	2,654	0.34	-17.24	2,608	0.34	-1.73
Sunflower	8,847	1.14	0.57	8,724	1.14	-1.39
Tallahatchie	2,903	0.38	8.56	2,615	0.34	-9.92
Tate	4,476	0.58	1.61	4,355	0.57	-2.70
Tippah	5,492	0.71	2.35	5,730	0.75	4.33
Tishomingo	6,255	0.81	12.38	6,445	0.84	3.04
Tunica	2,073	0.27	3.13	2,018	0.26	-2.65
Union	6,434	0.83	7.65	6,618	0.86	2.86
Walthall	2,361	0.31	0.38	2,330	0.30	-1.31
Warren	15,300	1.98	0.17	14,978	1.95	-2.10
Washington	23,582	3.05	-2.21	23,117	3.01	-1.97
Wayne	4,274	0.55	-0.95	4,172	0.54	-2.39
Webster	2,563	0.33	-5.07	2,519	0.33	-1.72
Wilkinson	2,221	0.29	2.92	2,218	0.29	-0.14
Winston	4,926	0.64	-7.27	4,926	0.64	-0.00
Yalobusha	4,032	0.52	12.50	4,592	0.60	13.89
Yazoo	6,331	0.82	2.66	6,206	.81	-1.97
Other	31,795	4.11	-6.01	31,881	4.15	0.27
State Total	773,163		-1.13	767,344		-0.75



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A Review of Major Theories of Organizational Design

by

Brian H. Kleiner, Ph.D.

The purpose of this presentation is to identify, describe, and criticize in a **precise** and **concise** manner six of the most important theories of organizational design that exist today. Thus, with this consolidated understanding managers will have a better information base for identifying and criticizing the characteristics of their organization presently and selecting a more ideal organizational design to strive toward if such would be desired. The six theories to be discussed are scientific management theory, bureaucracy theory, machine theory, human relations theory, adaptive-organic-participative theory, and contingency theory.

Scientific Management Theory

Scientific management theory was developed by F.W. Taylor (1911). Magnusen's (1974) treatment of this theory is helpful in identifying the following:

Principles

1. There is one best way for structuring all work arrangements.
2. Standardize all machine operations, thus taking control of work production away from workers.
3. Reduce all tasks into their simplest, unvarying components through time and motion study.
4. Select the right people for designated jobs, train them in proper work methods, and get their adherence to established work routines through financial incentives.

Criticisms

1. It ignored the common sense notion that the one best way for one person to do a job may not be the best for another.
2. It neglects the administrative component of the organization as well as the analytical problems of structure and process.
3. It holds a narrow economic perspective of human motivation.
4. It rejects conflict as pathological.
5. It assumes that organizational goals are known, tasks repetitive, resources uniformly available, and output of production consumed under conditions of perfect competition.

Bureaucracy Theory

Bureaucracy theory was initially developed by Max Weber and was built upon by such administrative design theorists as Fayol, Culick, and Mooney. It shifted the concern for rationalization from the work place to the entire organization. Again, Magnusen's (1974) treatment of this area is helpful in identifying the following:

Principles

1. Tasks are to be distributed among various members of the group as official duties, usually accompanied with a division of labor and specialization of function.

2. Offices or roles are to be organized into a hierarchical structure where the scope of authority of superordinates over subordinates is clearly defined.
3. A formal set of rules governing behavior is to be specified so as to enable uniformity.
4. Officials are to be required to assume an impersonal attitude in contacts with both other officials and clients. (Such inevitably produces a considerable measure of psychological distance between superiors and subordinates.)
5. Employment is usually assumed to be a career for life and promotion is by merit. Incentives are to be primarily financial.
6. There is a best way to coordinate specialized jobs (organized by some method of departmentation—function, purpose, place, or client).
7. There should exist unity of command, limited spans of supervision (ideally between 4 to 6), and delegation of authority, in which authority equals personal responsibility.

Thus, both bureaucracy theory and scientific management theory emphasize efficiency, and economic base of human motivation, and the need to coordinate people by detailed attention to task specialization and managerial planning.

Criticisms

1. It does not view the organization as an open system.
2. It assumes that organization goals can be specified in advance of implementation and, consequently, that there is one best way not only for the performance of assigned tasks, but also for the arrangement of hierarchical levels.
3. Power relations are ignored.
4. The impact of the individual on the organization is overlooked.
5. Little attention is given to the possible consequences of the division of labor on worker attitudes or behavior.
6. Environment and personal differences are not considered.

Machine Theory

Machine theory integrates scientific management theory with bureaucracy theory and has been described and criticized by Katz and Kahn (1966), Bennis (1966), Kast and Rosensweig (1970) and Davis (1971). It consists of the following:

Principles

1. Assumption that the person and his job is the essential building unit of an organization.

2. Assumption that the person is an extension of the machine.
3. Fractionation and specialization of tasks and jobs.
4. Fractionated jobs and tasks are defined formally and precisely so there is uniformity of practice.
5. High standardization of role performance to promote stability.
6. Hierarchical structure and external control.
7. Authority obedience relationships.
8. Delegated and divided responsibility rigidly adhered to with no duplication of function.
9. Centralized (non-participatory) planning and decision-making involving unity of command.
10. Vertical communication interactions involving orders and instructions.
11. Strict scheduling and control of work through pacing.
12. Formal and precise rules and regulations and rewards and punishments for control.
13. Money as a primary motivator, with frequent use of piece rate wage payments.
14. Conflict resolution through suppression, arbitration, and/or fighting to win.
15. Assumption that attention to the primary technological requirements provides an optimum outcome and that satisfying the requirements of the interrelated social systems increases cost.
16. Assumption that the science, planning, and design of production technologies is value free.

Criticisms

1. Makes unrealistic assumptions about human behavior - i.e., only employee survival needs are important and not their social and self-actualization needs.
2. No consideration of unit of operations concept for constructing task configurations to make complete and meaningful jobs.
3. Neglects many types of input-output exchanges with the organizations' environment.
4. Fails to consider many important **informal** influences in the organization such as the role of intraorganizational conflict of interests in defining the limits of organizational behavior.

Human Relations Theory

Human relations theory developed from the work of Mayo (1933) and Roethlisberger and Dickson (1939) and consists of the following:

Principles

1. People are primarily motivated to fulfill their social needs, and work is the most important activity to satisfy these needs.
2. There is no ultimate conflict between worker satisfaction and the efficient organization. In fact, increasing worker satisfaction leads to increased productivity.
3. There should be a focus on the work group. It is important to make the distinction between formal and informal work group.
4. Participation is important. Task groups should be managed by a more democratic supervisor who has social skills as well as technical skills. Conflict is best resolved by process skills.

Criticisms

1. Simplistic view of motivation, tending to disregard multidimensionality of needs including money and self actualization.
2. Deemphasizes the possibility of obtaining social satisfaction outside of work.
3. Fails to recognize that worker satisfaction does not in itself cause increased productivity.
4. It tends to take technology as a given and to deemphasize the structure of the organization at the expense of the informal structure.
5. It is still essentially authoritarian bent upon the maintenance of the hierarchical structure. Efforts at participation tend to be manipulative and insincere, emphasizing less significant issues. It fails to recognize that conflict might be best resolved by changing the organizational structure.
6. It fails to provide an adequate consideration of the role of unions or relations with the external environment.

Adaptive-Organic Participative Theory

Adaptive-organic-participative theory has been developed and described in Bennis (1966) and Davis (1971) and consists of the following, which can be usefully contrasted with the previously given description of Machine theory:

Principles

1. Assumption that groups of highly interrelated people and tasks (unit operations) are the essential building units of an organization.
2. Assumption that the person is more than an extension of the machine.

3. Jobs of workers involve a greater number of tasks.
4. Jobs and tasks continually redefined.
5. Less standardization of role performance to promote change.
6. Egalitarian structure and self control.
7. Mutual confidence and trust.
8. Shared responsibility with necessary duplication of functions.
9. Participative planning and decision making.
10. Lateral communication interactions involving information and advice.
11. Flexible scheduling and flow of work.
12. Self regulation and control.
13. Social, ego, and self-actualization rewards and primary motivators.
14. Conflict resolution through bargaining and problem solving.
15. Assumption that the joint optimization of the correlated socio-technical system should be sought.
16. Assumption that the science, planning, and design of production technologies is not value free.

Criticisms

1. It tends to assume that this organizational design is appropriate for all environmental conditions.
2. It tends to assume that this design is more preferred by most workers than any other alternative organizational design.

Contingency Theory

Contingency theory developed from the work of Burns and Stalker (1961), Woodward (1965), Perrow (1967), and Lawrence and Lorsch (1967). Its primary principle is that there is no one best way of designing an organization. Rather, one should seek to design the nature of one's structure, psycho-social system, and managerial system so as to fit with one's environment, goals and technology. Accordingly, both machine theory design and adaptive-organic-participative design may each have value to certain organizations, depending on their individual environment, goals, and technology. A way of viewing these two basic types of fits is in Figure 1, as developed from Kast and Rosensweig (1973).

Criticisms

1. It tends to take technology, goals and environment as deterministically given, rather than seeking to change these variables as well.
2. Organizational workers are expected to fit the design appropriate to the organizations' technology, goals,

and environment rather than seeking to joint optimize the needs of the socio-technical system. Thereupon, it tends to lock workers into a fit which may not facilitate personal and organizational growth.

FIGURE 1

MACHINE DESIGN	ADAPTIVE-ORGANIC-PARTICIPATIVE DESIGN
Stable Environment	Turbulent Environment
Limited Number of Well-defined Goals	Diverse and Changing Goals
Stable Technology Production orientation	Dynamic and Complex Technology Innovation orientation
Rigid Structure Structured tasks and roles Formal rules, regulations, controls Well-defined hierarchy Centralization of authority Vertical communications channels	Flexible Structure Unstructured tasks and roles Self-control, informal, adaptive procedures Loosely-defined hierarchy Decentralization of authority Multiple communications channels
Power Concentration in Psycho-social System Low interaction among participants Leadership style-concern for task performance	Power Equalization in Psycho-social System High interaction among participants Leadership style-concern for people
Clearly Specified Managerial System Clear delineation of managerial roles Programmed decision-making Concentrated decision-making and control Greater certainty and rigidity in relationships Rationalistic, efficiency orientation	More Loosely Defined Managerial System Uncertainties and flexibilities in managerial roles Non-programmed decision-making Decentralized decision-making and control More uncertainty and flexibility in relationships Political orientation

The ideas just presented reflect succinctly six of the most important theories of organizational design that exist today. While there is no general agreement as to which is superior, opinions among experts increasingly tend to be directed toward the adaptive-organic-participative theory and the contingency theory. Each organization design ideal attracts its own types of approaches for implementation. These are more fully described by Kleiner (1977). Approaches for implemen-

ting the adaptive-organic-participative design include the socio-technical systems approach derived from Trist and Bamforth (1951), the Michigan survey feedback approach derived from Likert (1967), the process consultation approach derived from Schein (1969), and the MAPS approach derived from McKelvey and Kilmann (1973). Approaches for implementing the contingency design include the contingency approach derived from Morse and Lorsch (1974).

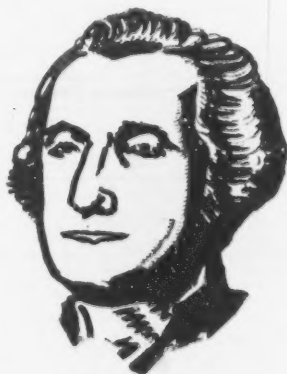
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Sales Indicated By Sales Tax Collections During December, 1982 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,437	33,811	Lowndes	1,637	40,690
Alcorn	1,074	30,652	Madison	852	24,092
Amite	124	2,799	Marion	690	16,319
Attala	344	8,824	Marshall	371	8,492
Benton	53	1,167	Monroe	793	21,803
Bolivar	870	21,624	Montgomery	228	5,407
Calhoun	239	5,926	Neshoba	440	11,354
Carrill	88	2,226	Newton	313	7,677
Chickasaw	273	6,595	Noxubee	160	4,244
Choctaw	91	2,024	Oktibbeha	697	15,441
Claiborne	340	17,785	Panola	527	12,949
Clarke	215	5,336	Pearl River	640	14,895
Clay	356	9,861	Perry	228	10,360
Coahoma	323	20,432	Pike	1,059	24,371
Copiah	379	8,802	Pontotoc	268	6,396
Covington	435	9,774	Prentiss	343	8,434
DeSoto	806	23,575	Quitman	171	4,058
Forrest	2,198	59,320	Rankin	1,796	54,875
Franklin	118	3,073	Scott	441	10,765
George	218	4,881	Sharkey	163	3,902
Greene	80	1,770	Simpson	405	9,534
Granada	574	15,707	Smith	127	3,208
Hancock	576	15,217	Stone	172	3,961
Harrison	4,096	103,556	Sunflower	613	31,365
Hinds	9,398	269,285	Tallahatchie	273	6,770
Holmes	327	7,625	Tate	332	8,139
Humphreys	252	6,269	Tippah	314	12,256
Issaquena	37	1,339	Tishomingo	286	8,382
Itawamba	372	11,422	Tunica	134	3,270
Jackson	2,482	59,589	Union	345	8,892
Jasper	245	5,607	Walthall	189	4,475
Jefferson	80	2,001	Warren	1,296	29,691
Jeff Davis	195	4,671	Washington	1,935	48,100
Jones	2,202	51,196	Wayne	357	7,831
Kemper	86	1,866	Webster	137	3,272
Lafayette	600	13,339	Wilkinson	195	5,152
Lamar	359	9,186	Winston	326	7,551
Lauderdale	2,316	60,449	Yalobusha	202	4,762
Lawrence	153	3,468	Yazoo	605	15,838
Leake	278	5,944			
Lee	2,240	69,893			
Leflore	1,150	30,203			
Lincoln	787	20,219	State Total	63,406	1,720,957



Common Stock Equivalency Tests and the Case for Practicality

By
Dr. Carol Cheatham

The Financial Accounting Standards Board (FASB) recently revised the common stock equivalency test in its FASB Statement No. 55, entitled **Determining Whether a Convertible Security is a Common Stock Equivalent**. The change was basically a simple one, revising the determination of whether a convertible security is a common stock equivalent (CSE) from a test relating to the bank prime interest rate to a test relating to the Aa corporate bond yield. The pronouncement was perhaps more interesting from the standpoint of what it **did not** do rather than from the standpoint of what it **did**. It did not reopen the issues of what constitutes dilution and how to determine the intent of the holders of convertible securities, major issues at the time earnings per share considerations were set forth in Accounting Principles Board (APB) Opinion No. 15. These basic questions will continue to be debated even though the bank prime interest rate is no longer the chosen benchmark.

FASB No. 55 is also interesting from the standpoint that one of the criteria for the selection of the new rate was practicality. In the light of the standards overload problem that faces most business, particularly small business, practicality should be a better recognized virtue in the standard setting process.

Provisions of FASB No. 55

FASB No. 55 became effective on all convertible securities issued after February 28, 1982. The old test of common stock equivalence under APB Opinions No. 15 was whether the cash yield of the convertible security at the time of issuance was less than 66 2/3% of the bank prime interest rate. If the cash yield was less, the presumption was that the security was purchased for the purpose of conversion at some future date. Otherwise,

the low yield would not be acceptable. The new test differs only in that the average Aa corporate bond yield is substituted for the bank prime interest rate. The factor of 66-2/3% remains in place.

FASB No. 55 further clarifies that Aa bonds refer to bonds of equal quality to those rated Aa by **Moody's** or **Standard & Poor's**, and **average** yield refers to the average over a brief period of time such as one week including or immediately preceding the date of issuance.

Rationale for FASB No. 55

In Statement No. 55 the Board points out that the prime interest rate test was a matter of expediency in the first place. The original intent of APB Opinion No. 15 was to determine whether "the cash yield to the holder at the time of issuance is significantly below what would be a comparable rate for a similar security of the issuer without the conversion option."¹ This rate was clarified at the time as being 66-2/3% of the bank prime interest rate, but use of the Aa corporate bond yield just as well fulfills the intent.

The necessity for replacement was brought about by the fact that the bank prime rate has been extremely volatile in recent times, and there have been periods of interest rate inversions with short-term rates exceeding long-term rates. This has resulted in some convertible securities being classified as CSEs when they had yields similar to securities without the conversion privilege.

For example, if the bank prime rate were 18% while long-term securities without the conversion privilege were selling to yield 11%, the test would indicate that securities yielding less than 12% would be CSEs, and securities selling to yield 11% with the conversion option would be considered CSEs even though their yield is

clearly not less than comparable securities without the conversion option.

Other Options Considered by the Board

Some other rates the Board considered, but rejected, were the treasury bond yield and the yield on bonds of the specific credit rating of the issuer. The treasury bond yield was rejected because it was not economically related to yields of corporate convertible securities and because composite treasury yields are not as widely quoted as the Aa corporate bond yield.

Use of the yield on bonds of the specific credit rating of the issuer was rejected because the Board felt that using a benchmark that varied with the issuer took them beyond the scope of APB Opinion No. 15, and their intent was not to address issues such as risk at this time. They also felt that average yields for other rating categories were not as widely published as the Aa rate.

A related issue was the continuance of the 66-2/3% benchmark as opposed to changing to some other percentage of the corporate bond yield. In defense of this factor the Board "concluded that no such change was necessary because the existing 66-2/3 percent factor, when applied retroactively to the new benchmark of average Aa corporate bond yields, would have produced consistent results with those of Opinion 15 at its inception."² Presumably this means that Aa corporate bond yields were about equal to the bank prime interest rate until interest rate inversions became a problem. Obviously, if the two measures continued to produce consistent results there would be no necessity for changing.

FASB No. 55 then is intended to clear up the worst of the problems inherent in applying APB Opinion No. 15, the problem of a proper test of common stock equivalence. It is a patchwork solution that does not re-address other basic issues concerning the computation of earnings per share figures.

The Historical Perspective

The FASB has perhaps chosen well to not reopen the can of worms that the initial earnings per share pronouncement opened in the mid-1960s. Although the APB did finally select a relatively simple test for common stock equivalence, it was one of the few simple provisions of APB Opinion No. 15. The fact that there were to be two sets of earnings per share figures, primary and fully diluted, and that these should be computed both before and after extraordinary items introduce enough complexity into the situation. Since then earnings per share figures after price-level adjustments have been introduced as supplementary material, giving the financial

statement reader a wide variety of figures from which to choose.

In spite of the APB's choosing a rather simple test of common stock equivalence, other were not hesitant to propose more complex solutions and continued to do so even after APB Opinion No. 15 was in effect. At this point in time when the FASB has revised the choice of rate, it is worth noting some of the alternatives that have been proposed.

Alternative Tests of Common Stock Equivalence

The two ends of the continuum on common stock equivalence tests are to consider **no** convertible securities as CSEs and to consider **all** convertible securities as CSEs. Considering no convertible securities as CSEs is the historical method that was used before APB Opinion No. 9. This method recognizes only actual dilution rather than potential dilution. The basic objection to the method was that it did not put stockholders on notice that there was a possibility of dilution should the convertible security holders choose to convert. At the other end of the continuum is the choice of considering all convertible securities as CSEs which gives the lowest or most pessimistic earning per share figures. This method is used to calculate fully diluted earnings per share.

In between these two extremes is a host of alternatives based on presumptions about the probability of conversion. As is usually the case when financial accounting departs from a historical perspective and becomes future-oriented, the problems and controversies multiply. The alternative that the APB chose was to try to determine the purchaser's intent at the time of purchase. Besides the method of comparing the yield of the security with the prime interest rate, other variations of this method include comparing the security price with its investment value or market price, of comparing the yield with various other rates. Frank and Weygandt have argued against the approach of determining initial intent as being a very poor predictor of eventual conversion.³ Furthermore, to try to determine the purchaser's intent from his willingness to accept a low yield ignores any other reason for accepting a low yield such as comparatively low risk.

Rather than trying to determine the purchaser's intent at the time of purchase, another category of alternatives relates to determining the current likelihood of conversion. Current likelihood of conversion can be presumed from current yields or interest rates, from current market prices, or from probability estimates. In a recent article in the *Financial Analysts Journal*, Clancy and Yeakel summarize some of the alternatives

available, particularly as related to exercise of options and warrants.⁴

Another approach that really does not fit on the continuum at all, is the approach that disclosure of the pertinent facts concerning convertible securities negates the necessity for the issuer of the financial statements making any assumption about conversion and allows the statement user to make his own assumptions. This approach is favored by FASB member Ralph E. Walters who dissented from FASB No. 55. The dissent, in part, says that, "financial reports must include **factual data** to help the user estimate the probability, timing and amount of potential dilution. The estimating process is a highly subjective analytical function, not a financial reporting function."

Criteria for Selection of a Benchmark

Perhaps the most interesting aspect of FASB No. 55 is the set of criteria for selection of a rate for the cash yield test, particularly the last criterion. In Appendix A, the criteria are given as: "(a) its ability to function as a test of common stock equivalence should not be impaired by changing market conditions of a recurring nature, (b) it should be economically related to yields of corporate convertible securities, and (c) it should be practical to apply."⁶ Provisions (a) and (b) presumably relate to the deficiencies of rates similar to the bank prime interest rate which was impaired by changing market conditions (interest rate inversion) and was not economically related to yields of corporate convertible securities (it was a short term rate). However, criterion (c), that the rate be practical to apply, is forward-looking and designed to simplify the application of whatever rate would be selected.

Practicality is a criterion that is too often overlooked in the formation and application of accounting standards. In the interests of being theoretically precise and achieving uniformity, practicality is often ignored. The result has been a tremendous burden on business firms, particularly small business. The costs of keeping records that are in compliance with these standards far exceed any benefits to management, stockholders, or interested third parties, in many cases.

The standards overload problem has been recognized as a primary problem area for small business. The American Institute of Certified Public Accountants appointed a special committee on accounting standards overload in the spring of 1981. The FASB has issued an invitation to comment on financial reporting by private and small public companies including a detailed questionnaire designed to identify the information needs and practices of the small business. It is hoped that such ac-

tions will lead to some measure of relief for small companies.

However, what is needed is a revamping of the entire standard setting process to include a cost/benefit consideration of every standard issued or, in other words, consideration of its practicality. Accounting textbooks may discuss the need for accounting principles such as continuity, materiality, and uniformity. A conceptual framework may recognize the importance of concepts such as reliability, comparability and measurability. However, it may be that the key issue that is being ignored is practicality. It would be a relief to both small and large businesses if practicality were a criterion for all standards as it is for FASB No. 55.

FOOTNOTES

¹Accounting Principles Board Opinion No. 15, *Earnings per Share* (New York: AICPA, 1969) par.33.

²Financial Accounting Standards Board Statement No. 55, *Determining Whether a Convertible Security is a Common Stock Equivalent* (Stamford, Conn.: FASB, 1982) par. 15.

³W.G. Frank and J.J. Weygandt, "A Prediction Model for Convertible Debentures," *Journal of Accounting Research*, Spring 1971, pp. 116-126.

⁴Donald K. Clancy and John A. Yeakel, "On Reporting Dilutionary Exchanges," *Financial Analysts Journal*, Sept.-Oct. 1981, pp. 70-73.

⁵FASB Statement No. 55, par. 8.

⁶FASB Statement No. 55, par.10.



INDEXES OF SELECTED MISSISSIPPI
ECONOMIC INDICATORS
[Seasonally Adjusted]
1969=100

Indicator	December 1982	November 1982	December 1981
Retail Sales	155.5	142.9	164.1
Electric Sales	205.1	207.7	196.2
Telephones in Service	222.7	223.5	231.3
Gasoline Gallonage	157.8	142.8	152.8
Loans of Savings & Loans Institutions	26.3	75.3	75.4

MEET THE FACULTY



Dr. Zoel Daughtrey
School of Accountancy

Dr. Zoel Daughtrey is Associate Professor in the School of Accountancy. He teaches individual and corporate taxation, tax research and principles of accounting.

Before coming to Mississippi State University, Dr. Daughtrey was a tax manager for Peat, Marwick, Mitchell and Company, international accounting firm, in Lubbock, Texas. He has also held teaching and research positions at Oklahoma State University, North Carolina State University, Texas A & M University, North Western State University of Louisiana, and Texas Tech University.

Dr. Daughtrey is the author or coauthor of approximately thirty-five professional and popular publications. He is a Certified Public Accountant in Mississippi, Texas and New Mexico, and is a member of the

American Institute of Certified Public Accountants, the American Accounting Association, Beta Alpha Psi, Sigma XI, the National Society of Accountants for Cooperatives, and the Texas Society of Certified Public Accountants.

Dr. Daughtrey works closely with the Mississippi Cooperative Extension Service in the planning and presentation of their annual Income Tax Seminars and also is assisting the Agriculture Economics program within the Mississippi Cooperative Extension Service in developing and improving a farm and ranch accounting system. He also serves as a tax consultant to a large Mississippi CPA firm.

Dr. Daughtrey's wife, Jackie, is a secretary in the Department of Elementary Education at MSU and they are parents of a daughter, Heather.

State Nonfarm Personal¹ Income Thus Far in the 1980's

Thus far in the 1980's, Oregon, West Virginia, Iowa, and the Great Lakes states of Indiana and Michigan have had the smallest percentage increases in nonfarm personal income, according to the Commerce Department's Bureau of Economic Analysis. Increases were largest in Alaska and the southern states of Florida, Texas, Oklahoma, and Louisiana.

From the first quarter of 1980, the peak quarter of the most recent sustained national business cycle expansion, to the third quarter of 1982, the most recent quarter for which estimates of state personal income are available, nonfarm personal income in the United States increased 24.8 percent. During the same period, consumer prices—measured by the implicit price deflator for personal consumption expenditures—increased 20.1 percent.

Since the first quarter of 1980, 28 states had increases in nonfarm personal income that were less than or equal to the national average (table 1 and map). Most of these were in the Great Lakes, Plains, and Southeast regions. The five states with the smallest percentage increases in nonfarm personal income were Indiana, 15.2 percent; Michigan, 16.4 percent; Oregon, 17.2 percent; West Virginia, 19.0 percent; and Iowa, 19.3 percent. All of these states had large declines in construction wage and salary disbursements (payrolls), and all had large declines or small increases in durables manufacturing payrolls. Industries that contributed to the weakness in durables manufacturing payrolls were iron and steel, machinery, and motor vehicles in Indiana, and Michigan; iron and steel in West Virginia; lumber in Oregon; and farm equipment in Iowa.

The five states with the largest percentage increases in nonfarm personal income were Alaska, 42.2 percent; Florida, 34.5 percent; Texas, 34.4 percent; Oklahoma, 34.2 percent; and Louisiana, 31.6 percent. All of these states had large payroll increases in construction and state and local government. Most had large payroll increases in durable manufacturing, mining, and private

service-type industries. In Alaska, transfer payments to persons of state revenues derived from the old industry contributed to the strength in nonfarm personal income.

Because farm income is subject to erratic changes, it is often preferable to use nonfarm personal income to track current economic developments in regions and states. A summary of changes in nonfarm personal income for the Southeast region follows. The definitions of total and nonfarm personal income follow the Southeast summary.

SOUTHEAST

From the first quarter of 1980 to the third quarter of 1982, nonfarm personal income in the Southeast increased 26.4 percent, 1.6 percentage points more than in the nation; this was the third largest increase among the eight BEA regions. The increase in nonfarm personal income was more than the national average in Florida, Louisiana, Virginia, and Georgia and less than the national average in the other eight Southeast states. Increases ranged from 34.5 percent in Florida (ranking 2nd among all state) to 19.0 percent in West Virginia (ranking 47th). In Florida, payroll increases in durables manufacturing, construction, private service-type industries, and both federal and state and local government were well above the national average. Florida's increase in private service-type payrolls was the third largest in the nation, and its increase in federal government payrolls was the third largest in the nation, and its increase in federal government payrolls was the largest in the nation. In West Virginia, payrolls declined in durables manufacturing, and construction, and payroll increases in nondurables manufacturing, mining, and private service-type industries were well below the national average. West Virginia's decline in durables manufacturing payrolls, which was the second largest in the nation, reflected weakness in iron and steel production.

Definitions-

¹ Personal income is the income received by persons from all sources, that is, from participation in production, from transfer payments from government and business, and from government interest, which is treated like a transfer payment. Personal income is the sum of private and government wage and salary disbursements, other labor income, farm and nonfarm proprietors' in-

come, rental income of persons, personal dividend income, personal interest income, and transfer payments, less personal contribution for social insurance. Personal income is measured before the deduction of personal income other personal taxes and is reported in current dollars (no adjustment is made for price changes).

Nonfarm income is defined as total personal income less farm labor and proprietors' income.

TABLE 1. -- NONFARM PERSONAL INCOME AND SELECTED COMPONENTS, BY STATES AND REGIONS, 1980:1 - 1982:III

	PERCENT CHANGE						INDEX OF PERCENT CHANGE IN NONFARM PERSONAL INCOME (U.S.=100)	RANK OF PERCENT CHANGE IN NONFARM PERSONAL INCOME
	NONFARM PERSONAL INCOME	WAGE AND SALARY DISBURSEMENTS (PAYROLLS)						
		MANUFAC- TURING	CONSTRUC- TION	MINING	PRIVATE SERVICE- TYPE *	GOVERN- MENT		
UNITED STATES	24.8	9.1	4.3	36.4	24.4	20.4	100	--
NEW ENGLAND	26.1	14.3	23.3	16.4	28.1	12.7	105	--
VERMONT	30.4	19.9	21.4	-12.5	28.4	28.4	123	6
NEW HAMPSHIRE	29.4	22.3	33.6	1.1	30.5	24.8	119	8
MASSACHUSETTS	26.3	16.7	35.4	24.3	28.6	6.4	106	18
CONNECTICUT	25.6	10.5	13.4	18.9	29.7	14.8	103	20
MAINE	24.4	14.9	9.5	56.1	21.2	18.0	98	24
RHODE ISLAND	23.5	7.4	-5.8	34.7	21.4	24.3	95	27
MIDEAST	24.2	6.9	5.3	4.5	24.9	18.4	98	--
NEW YORK	26.4	13.1	18.2	20.7	26.5	20.9	106	17
NEW JERSEY	25.6	11.5	13.1	-2.1	26.4	20.6	103	21
MARYLAND	24.4	3.4	-7.4	29.1	26.3	19.4	98	25
DELAWARE	22.9	12.5	11.3	2.8	21.5	22.0	92	33
DISTRICT OF COLUMBIA	21.9	5.6	5.1	19.9	26.6	10.2	88	--
PENNSYLVANIA	20.0	-2.4	-8.2	1.3	19.7	16.6	81	43
GREAT LAKES	18.4	1.1	-13.6	6.2	16.5	16.2	74	--
OHIO	20.2	4.3	-14.8	14.7	18.1	17.5	81	40
ILLINOIS	19.4	-3.1	-12.7	12.0	17.4	20.5	78	44
WISCONSIN	19.3	-1.5	-22.9	-14.4	20.5	20.6	78	45
MICHIGAN	16.5	4.3	-15.7	-9.8	13.1	10.1	67	49
INDIANA	15.2	-1.7	-3.5	-12.4	13.1	11.4	61	50
PLAINS	22.7	7.5	-8.6	-4.8	18.5	20.6	92	--
NORTH DAKOTA	29.2	6.3	20.3	51.6	25.6	26.7	118	9
KANSAS	24.0	3.2	-10.5	46.0	22.6	27.8	97	26
SOUTH DAKOTA	23.5	9.3	-19.8	-45.2	17.4	16.9	95	28
MISSOURI	23.4	12.2	-4	9	19.9	20.4	94	29
MINNESOTA	22.8	14.9	-10.5	-57.1	18.1	14.0	92	34
NEBRASKA	21.2	-4	-18.8	3.9	16.1	22.6	85	39
IOWA	19.3	-4.9	-20.4	-24.5	12.7	21.9	78	46
SOUTHEAST	26.4	10.9	9.1	29.0	26.0	22.9	106	--
FLORIDA	34.5	18.7	23.9	2	35.0	31.3	139	2
LOUISIANA	31.6	13.5	20.8	51.4	30.6	30.2	127	5
VIRGINIA	26.0	17.3	-7.4	21.5	27.9	21.8	108	16
GEORGIA	25.5	13.8	17.7	17.1	23.5	25.4	103	22
SOUTH CAROLINA	24.5	7.1	11.3	14.9	26.3	28.7	99	23
MISSISSIPPI	23.4	9.7	24.8	53.3	18.4	17.6	94	30
TENNESSEE	23.2	12.6	11.1	26.2	21.6	11.1	94	31
NORTH CAROLINA	23.1	10.0	1.5	4.5	22.9	21.6	93	32
ARKANSAS	22.1	9.1	-9.6	34.0	20.5	19.8	89	37
KENTUCKY	20.1	8.5	-10.9	22.2	17.2	16.5	81	41
ALABAMA	20.0	3.1	-7.5	12.5	17.7	17.3	81	42
WEST VIRGINIA	19.0	-7.7	-14.4	17.4	16.6	19.2	77	47

TABLE 7. -- NONFARM PERSONAL INCOME AND SELECTED COMPONENTS, BY STATES AND REGIONS, 1980:I - 1982:III

	PERCENT CHANGE						INDEX OF PERCENT CHANGE IN NONFARM PERSONAL INCOME (U.S.=100)	RANK OF PERCENT CHANGE IN NONFARM PERSONAL INCOME
	NONFARM PERSONAL INCOME	WAGE AND SALARY DISBURSEMENTS (PAYROLLS)						
		MANUFAC- TURING	CONSTRUC- TION	MINING	PRIVATE SERVICE- TYPE *	GOVERN- MENT		
SOUTHWEST	33.3	22.8	23.2	61.3	35.5	30.1	134	--
TEXAS	34.4	24.9	29.0	70.7	36.7	31.3	139	3
OKLAHOMA	34.2	16.7	24.0	76.7	37.2	30.6	138	4
ARIZONA	28.9	18.2	-5.3	-12.8	29.8	27.7	117	10
NEW MEXICO	26.9	12.9	21.9	11.1	28.1	23.5	108	14
ROCKY MOUNTAIN	27.5	15.1	18.1	33.5	26.4	20.4	111	--
COLORADO	30.0	18.0	31.7	45.3	31.4	21.7	121	7
UTAH	27.6	21.8	-4	26.1	27.0	23.6	111	11
WYOMING	27.2	3.4	20.9	32.9	22.4	22.2	110	13
MONTANA	22.4	-1.1	-2.6	24.0	16.4	10.9	90	36
IDAHO	21.9	3.8	6.0	-16.2	14.5	16.6	88	38
FAR WEST	26.0	16.5	-7	47.0	25.4	19.7	105	--
NEVADA	27.4	11.7	6.1	88.5	22.5	28.2	110	12
CALIFORNIA	26.9	18.6	3.0	47.9	27.4	18.5	108	15
WASHINGTON	25.7	16.0	-1.4	6.7	21.9	25.7	104	19
OREGON	17.2	-1.2	-35.0	-1.6	11.0	17.8	69	48
ALASKA	42.2	4.0	51.5	D	D	32.5	170	1
HAWAII	22.6	14.4	-11.0	D	D	17.4	91	35

* WHOLESALE AND RETAIL TRADE, THE FINANCE-INSURANCE-REAL ESTATE GROUP, THE TRANSPORTATION-COMMUNICATION-PUBLIC UTILITIES GROUP, AND SERVICES.

D DELETED TO AVOID DISCLOSURE OF CONFIDENTIAL DATA; DATA ARE INCLUDED IN TOTALS.

NOTE: STATES ARE LISTED IN EACH REGION BASED ON THEIR PERCENT CHANGES IN NONFARM PERSONAL INCOME.

PERCENT CHANGES ARE BASED ON SEASONALLY ADJUSTED DATA. THE RANKING IS BASED ON UNROUNDED DATA.

SOURCE: U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS.

NEW AND EXPANDED INDUSTRY

Town	Firm	No. of Employees
------	------	---------------------

NEW

Columbus

Carbonic Industries Corp	15
Liquid Carbon Dioxide	

EXPANDED

Belmont

Golden Sales, Inc.	90
Furniture	

NEW AND EXPANDED INDUSTRY

Town	Firm	No. of Employees
------	------	---------------------

Canton

Flav-O-Rich, Inc.	2
Milk and Ice Cream	
Inland Steel Container	60
Steel Shipping Containers	

Madison

Cardox	
Liquid Carbon Dioxide	

Ridgeland

R & R Associates	5
Oil Industry Computerized Trailers	

Food Stamp Participation By County, December, 1982¹

SOURCE: State Welfare Department

County	Number of Households ² (Average Allotment \$135.88)	Number of Persons ³ (Average Allotment \$42.75)	Coupon Value ⁴ (Average Per Meal \$.48)	County	Number of Households ² (Average Allotment \$135.88)	Number of Persons ³ (Average Allotment \$42.75)	Coupon Value ⁴ (Average Per Meal \$.48)
Adams	2,819	8,201	\$362,435	LeFlore	3,113	11,220	473,856
Alcorn	2,211	5,738	239,715	Lincoln	2,031	6,033	254,003
Amite	931	3,207	123,942	Lowndes	2,607	8,714	386,720
Attala	1,677	5,243	210,360	Madison	3,700	13,191	574,698
Benton	832	2,968	122,344	Marion	1,755	5,651	243,062
Bolivar, E.	2,999	11,187	474,259	Marshall	3,253	11,633	486,884
Bolivar, W.	1,063	4,518	190,323	Monroe	1,810	5,618	238,694
Calhoun	999	2,866	108,548	Montgomery	1,447	3,969	156,986
Carroll	805	2,450	92,415	Neshoba	1,571	4,703	181,114
Chickasaw, E.	387	1,120	40,597	Newton	1,194	3,486	134,011
Chickasaw, W.	679	1,972	73,109	Noxubee	1,588	5,507	230,208
Choctaw	789	2,314	93,105	Oktibbeha	1,978	5,995	264,951
Claiborne	1,274	3,994	183,046	Panola	2,516	9,317	376,670
Clarke	1,323	3,735	141,203	Pearl River	2,000	5,796	255,751
Clay	1,634	5,179	224,731	Perry	1,188	3,511	153,988
Coahoma	3,707	12,448	573,213	Pike	2,531	7,907	340,621
Copiah	2,237	6,900	299,545	Pontotoc	1,239	3,246	120,727
Covington	1,315	4,240	172,443	Prentiss	1,335	3,696	147,138
DeSoto	2,133	7,561	307,966	Quitman	1,310	4,960	199,084
Forrest	4,294	11,880	529,599	Rankin	2,254	6,919	281,793
Franklin	915	2,535	108,238	Scott	1,535	4,682	185,520
George	1,146	3,430	161,356	Sharkey	976	3,964	160,865
Greene	1,020	3,136	141,094	Simpson	1,389	4,176	172,582
Grenada	1,221	3,981	163,637	Smith	866	2,608	97,348
Hancock	1,717	4,888	230,801	Stone	632	2,075	87,045
Harrison	6,222	19,384	883,387	Sunflower	2,881	11,522	486,137
Hinds	14,510	43,438	2,021,029	Tallahatchie	1,848	7,290	288,024
Holmes	3,425	11,230	495,295	Tate	1,691	5,358	217,153
Humphreys	1,147	4,424	180,807	Tippah	1,418	4,047	156,308
Issaquena	231	880	34,627	Tishomingo	995	2,389	93,114
Itawamba	851	2,251	86,506	Tunica	1,378	5,126	212,061
Jackson	5,237	16,594	854,293	Union	1,238	3,527	133,956
Jasper	1,209	3,914	153,044	Walthall	1,189	3,925	161,158
Jefferson	952	3,159	120,407	Warren	3,157	9,418	430,004
Jefferson Davis	1,244	3,943	159,972	Washington	6,239	22,101	980,610
Jones	2,726	7,760	310,544	Wayne	1,823	5,569	240,990
Kemper	759	2,576	97,151	Webster	774	2,074	84,851
Lafayette	1,169	3,483	134,707	Wilkinson	1,133	3,450	135,010
Lamar	1,502	4,447	187,503	Winston	1,938	5,945	240,285
Lauderdale	3,605	10,733	476,555	Yalobusha	1,080	3,158	128,994
Lawrence	883	2,555	103,432	Yazoo	2,827	9,307	386,708
Leake	1,883	5,491	228,523	State Total	167,174	531,418	22,716,203
Lee	2,065	5,679	240,715				

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

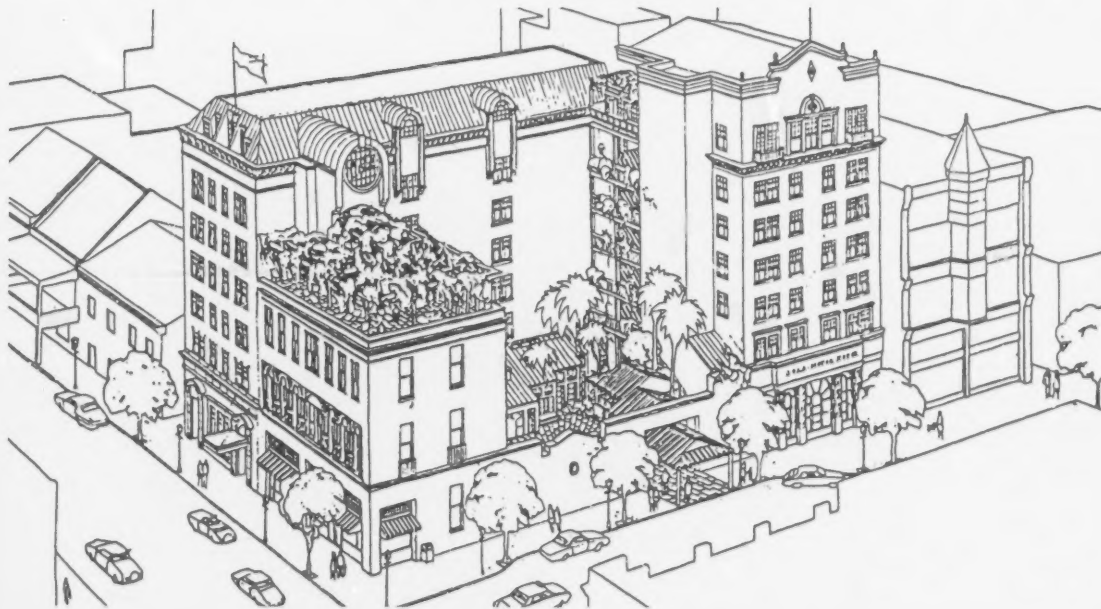
²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person (\$42.75) by total number of average meals a month (90)

Tourist Briefs

Eola Hotel Natchez, Mississippi



When the Eola Hotel was built in 1927, it was called a "symbol of civic progress". Built similar to the New Orleans Jung Hotel, it was to be the center of much of Natchez social life.

It was named after the daughter of Isidore Levy, president of the board of directors of the company that built the hotel, Natchez Investment Corporation. This was the first of a group of corporations that would invest their money and time to keep the hotel open. Others were the Eola Hotel Corporation, then the Natchez Eola Corporation with Clarence Eyrich, Sr., the president, who saved the hotel from default after the 1929 crash. After World War II, along with his sons, Eyrich bought a controlling interest in the Natchez Eola Corporation.

Unfortunately, however, even after surviving the stock market crash, the depression and the declining use during World War II, the Eola Hotel owners realized by the 1960's that it would have to close its doors. Competition from the chain motels on the highways and exten-

sive remodeling needs were too much.

It was during 1978 when downtown Natchez was in the progress of rehabilitation that interest in reopening the Eola was revived.

Norman Germany, a Texas oilman who had frequented the Eola for thirty years spearheaded a group of investors to form the Eola Hotel Corporation and purchased the hotel.

After working through the expected and unexpected problems that arose, the Eola Hotel was completely renovated in 1982. With the exception of a courtyard as its main entrance and the addition of another restaurant, the hotel is the same. A view of the Mississippi River is an added pleasure to those who go to the seventh floor Moonflower lounge.

Located on Pearl Street, the Eola Hotel is once again the center of Natchez social life, and again a "symbol of civic progress."

STATE ECONOMIC INDICATORS

Indicator	December 1982 ¹	November 1982 ²	December 1981 ¹	Per Cent One Month Ago ³	Change One Year Ago ⁴
EMPLOYMENT, EARNINGS AND HOURS⁵					
Total Employment	920,100	925,300	951,100	-0.6	-3.3
Non-Ag Employment	794,900	794,600	821,900	0.3	27.0
Mining	12,200	12,300	12,900	-0.1	-0.7
Contract Construction	38,000	38,900	40,900	-0.9	-2.9
Manufacturing	200,300	201,300	217,900	-1.0	-17.6
Transportation and Public Utilities	40,100	40,600	40,600	-0.5	-0.5
Wholesale and Retail Trade	166,100	163,300	167,500	2.8	-1.4
Finance, Insurance and Real Estate	32,800	32,800	33,200	-0.	-0.4
Service	121,700	121,800	121,700	-0.1	-0.
Government	183,700	183,500	187,200	0.2	-3.5
Unemployment Rate (Per Cent Labor Force)	11.4	11.9	9.0	—	—
Average Weekly Earnings in Manufacturing (Dollars)	261.70	252.84	241.34	3.5	8.4
Average Hourly Earnings in Manufacturing (Dollars)	6.51	6.45	6.22	0.9	4.7
Average Weekly Hours in Manufacturing	40.2	39.2	38.8	2.6	3.6
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁶	2,828	2,824	2,876	0.1	-1.7
Gasoline Delivered to Dealers (gals.) ⁶	122,132	116,214	118,652	5.1	2.9
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	39,930	11,490	11,600	247.5	244.2
Construction Loans	1,393	55,000	2,100	-97.5	-33.7
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	1,650,635	1,640,910	1,620,575	0.6	1.9
Telephones in Service (Number) ⁹	1,477,284	1,482,241	1,534,144	-0.3	-3.7
RETAIL SALES (000's)¹⁰					
	1,365,622	1,350,889	1,362,766	1.1	0.2
Indicator	September 1982	August 1982	September 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹¹					
Total Cash Receipts from Farm Marketings	111,881	95,864	137,216	16.7	-18.5
Cash Receipts from Marketing Livestock	73,004	78,359	89,015	-6.8	-18.0
Cash Receipts from Marketing Crops	38,877	17,505	48,201	122.1	-19.3

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for August

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹South Central Bell Telephone Company

¹⁰Mississippi Tax Commission

¹¹U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month Dec.	PerCent Month Ago	Change Year Ago	Current Month Dec.	PerCent Month Ago	Change Year Ago	Current Month Dec.	Month Ago	Year Ago
Aberdeen	8,004	-0.3	-4.9	45,626	8.2	-1.6	44,400	8,850	23,000
Baldwyn	4,548	-0	-4.8	20,069	-2.9	3.2	---	---	---
Batesville	9,060	0.2	-2.3	55,429	-6.2	7.0	82,000	412,245	6,667
Bay Springs	---	---	---	20,079	1.6	-5.6	---	---	---
Bay St. Louis	14,480	0.1	1.9	40,513	14.9	7.7	---	81,700	6,000
Belmont	2,336	0.2	-2.7	9,191	3.4	-4.1	---	---	---
Belzoni	4,930	0.1	-5.0	29,120	-5.9	5.2	1,000	4,400	27,000
Biloxi	43,755	-0.8	-6.0	269,370	0.13	8.0	1,440,315	685,923	1,398,267
Brandon	11,290	-0.1	-1.0	38,055	2.4	1.6	60,100	129,600	87,700
Brookhaven	15,376	-0.1	-4.9	118,777	8.6	-2.2	525,900	300,000	187,000
Brooksville	1,329	-0.4	1.1	2,633	18.1	1.03	---	97,669	155,500
Canton	10,812	0.1	-3.4	60,148	2.5	59	---	---	---
Carthage	7,327	-0.3	-2.8	38,984	6.3	5.8	0	27,000	16,500
Charleston	4,073	0.1	-4.8	19,700	33.6	-22.8	---	---	---
Clarksdale	19,462	-0.4	-6.3	128,872	10.3	-4.4	80,960	180,800	119,250
Cleveland	13,481	-0.5	-3.5	109,486	15.3	5.9	---	---	---
Collins	4,705	0.2	-1.5	25,271	-41.4	-20.4	---	32,500	8,000
Columbia	16,032	-0.3	-1.9	95,596	6.5	8.5	-0	53,800	---
Columbus	32,162	0.5	-5.7	228,147	4.9	-23	254,051	3,150,358	475,261
Corinth	20,122	-0.3	-4.7	127,955	12.5	13.3	393,733	180,965	39,955
Crystal Springs	5,806	-0.6	-3.4	25,801	4.8	23.8	6,000	96,000	28,250
Drew	2,889	-0.4	-2.6	11,174	2.5	3.1	-0	2,000	865,000
Edwards	1,679	-0.2	-3.2	3,336	2.7	5.4	241,500	-0	46,120
Ellisville	3,920	-0.6	-4.1	15,058	-12.1	-7.5	---	---	---
Eupora	4,359	-0.3	-3.9	15,191	-6.1	2.1	---	---	---
Fayette	3,330	-0.3	-1.8	9,200	-15.4	-21.2	---	---	---
Forest	4,965	-0.5	-4.1	4P 640	-10.1	2.0	263,000	296,500	16,500
Greenville	35,501	-0.7	-4.9	2,4206	19.9	6.9	---	---	---
Greenwood	22,922	-0.2	-4.7	149,623	-7.7	-2.9	56,800	593,100	54,909
Grenada	13,945	-0	-4.0	88,968	9.5	11.5	150,000	82,000	30,000
Gulfport	61,802	-0.3	-2.9	266,737	12	7.1	699,566	1,894,593	318,395
Hattiesburg	60,079	-0.6	-2.1	381,391	6.1	5.5	667,228	739,564	1,011,652
Hernando	7,363	-0.1	-1.4	23,390	4.8	63	156,000	3,000	27,500
Hollandale	3,318	-0.3	-2.4	15,951	24.5	6.3	---	15,000	1,125
Holly Springs	7,523	-0.3	-3.1	40,944	1.3	-1.1	15,400	63,000	57,500
Houston	5,535	-0.1	-3.7	32,064	1.7	15.6	162,000	258,400	8,000
Indianola	7,803	0.1	-0.8	67,986	-4.8	12.5	---	---	---
Iuka	5,148	-0.6	-11.0	27,839	4.2	-1.9	---	---	---
Jackson	223,527	-0.2	-3.6	1,497,041	8.9	6.3	2,362,596	5,128,360	1,660,718
Kosciusko	9,116	-0.2	-4.6	54,022	-5.8	-2.2	25,000	1,151,138	82,400
Laurel	34,729	-0.7	-4.4	320,602	12.2	-18.9	217,789	402,204	393,585
Leland	5,220	-0.1	-2.5	20,745	-9.8	-1.5	7,300	16,530	12,400
Lexington	4,889	-0	-1.4	25,641	19.7	49.9	---	---	---
Louisville	10,438	-0.1	-3.4	47,502	17.3	-11.0	148,200	---	76,746
Lucedale	8,402	-0.2	-3.0	32,529	-5.8	-9.9	10,500	40,000	680,900
Lumberton	2,897	0.1	-3.3	8,648	4.06	-8.4	---	---	---
Macon	3,707	0.2	-2.6	15,991	-4.5	8.4	---	---	---
Magee	5,470	0.2	-0.9	43,078	5.4	3.7	---	---	---
Magonolia	4,207	-0.7	-4.8	8,522	12.4	-1.5	7,350	-0	37,300
Marks	5,193	-0.2	-5.6	18,457	16.8	14.5	---	---	---
McComb	19,518	-0.4	-4.5	142,622	15.4	3.8	108,800	47,500	87,500
Meadville	---	---	---	5,335	11.6	-8.6	-0	40,000	---
Mendenhall	6,559	0.1	-3.0	18,724	-6.4	9.8	40,000	3,200	-0
Meridian	46,005	-0.3	-3.7	360,935	7.1	2.2	211,898	428,735	2,636,572
Monticello	4,964	-0.7	-2.3	18,064	-2.9	-2.2	---	---	35,500
Morton	3,619	-0.1	-0.5	20,497	5.5	10.3	---	---	---
Moss Point	16,093	-0.4	-3.6	47,689	-5.3	-69	303,755	85,445	64,680
Natchez	30,255	0.1	-2.4	247,143	6.9	4.1	252,150	208,095	63,545
New Albany	11,293	0.1	-2.1	56,457	0.6	0.3	---	---	---
Newton	4,193	0.2	-0.4	23,368	-4.2	-8.9	3,500	40,000	47,623
Ocean Springs	15,262	-0.7	-5.4	74,123	-59	-5.9	242,003	---	---
Okolona	3,361	0.2	-3.6	12,365	-5.7	-6.5	---	---	---
Oxford	21,004	-1.2	-2.3	92,919	7.9	2.3	2,637,228	119,200	59,625
Pascagoula	38,280	-0.5	-2.5	191,653	-3.1	-2.5	---	---	251,211
Pass Christian	5,645	-0.7	-2.7	12,841	-4.8	-6.9	---	165,388	30,380
Philadelphia	11,780	0.1	-1.6	57,199	5.8	12.3	---	---	---

BUSINESS ACTIVITY BY CITY

	Telephones in Service			City Sales Tax Collections			Building Permits		
	Current Month Dec.	PerCent Month Ago	Change Year Ago	Current Month Dec.	PerCent Month Ago	Change Year Ago	Current Month Dec.	Month Ago	Year Ago
Picayune	15,866	-0.2	-2.9	78,757	-3.6	-6.9	---	356,000	---
Pontotoc	9,138	-0.2	-4.8	41,499	-.36	5.8	---	---	---
Poplarville	4,306	0.3	-0.4	16,247	.11	4.9	35,000	32,000	210,000
Port Gibson	6,077	-0.1	5.8	15,643	15.9	-7.3	---	---	---
Prentiss	---	---	---	19,952	-3.9	-7.5	15,000	-0-	50,100
Quitman	4,994	0.4	-1.1	24,621	22.0	2.5	---	---	---
Raymond	3,272	-1.5	-1.5	5,244	15.0	-11.0	---	---	---
Richton	1,904	-0.4	-3.8	8,540	-17.5	-5.1	0-	26,500	-0-
Rosedale	1,530	0.3	-3.5	7,271	-18.6	-4.1	---	---	---
Ruleville	1,917	0.4	-1.5	10,934	-13.3	-7.3	1,000	1,000	1,000
Sardis	3,118	-0.6	-5.9	15,803	-1.6	-16.3	15,000	11,000	-0-
Senatobia	6,848	-0.2	-1.9	45,899	3.6	17.5	31,400	33,000	34,000
Shelby	1,591	0.1	-2.7	10,836	11.8	18.1	---	---	---
Starkville	24,750	-1.4	-2.2	108,073	.079	4.4	---	336,355	78,400
Summit	1,676	-0.4	-3.7	9,341	-22.1	-5.1	---	---	---
Taylorville	1,788	-0.6	-1.4	9,941	-21.0	-12.1	---	-0-	-0-
Tchula	1,949	0.1	-2.4	4,257	2.2	-14.1	---	---	-0-
Tunica	4,101	-0.1	-4.5	15,211	-3.0	-5.4	---	---	---
Tupelo	36,709	-0.4	-4.3	333,827	11.9	6.1	354,750	772,409	423,700
Union	2,876	-0.1	-0.9	15,620	19.5	16.8	---	---	---
Utica	3,054	-0.4	-2.4	9,599	14.9	4.9	---	---	---
Vicksburg	37,854	-0.5	-4.3	193,366	4.7	-2.8	2,317,500	1,192,235	199,280
Walnut Grove	1,068	-0.5	0.8	1,829	164.0	9.0	---	---	---
Water Valley	4,174	0.1	-2.8	21,469	-1.1	.89	---	---	14,000
Waynesboro	7,791	-0.9	-2.6	53,850	-18.5	-14.3	201,500	2,500	949,122
West Point	12,196	-0.6	-3.7	56,620	8.6	2.8	4,500	31,500	741,675
Wiggins	6,266	0.1	-1.6	22,989	1.7	10.3	37,000	34,650	3,500
Winona	4,945	0.2	-1.3	31,329	3.0	.77	---	---	---
Yazoo City	12,281	-0.3	-3.4	62,668	-9.0	.32	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	December 1982	November 1982	December 1981	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	159,200	159,400	160,700	-0.1	-0.9
Unemployed Persons	11,800	13,200	10,500	-10.6	12.4
Per Cent of Labor Force	7.4	8.3	6.5	---	---
Employed Persons	147,400	146,200	150,200	0.8	-1.9
Non-Ag Wage & Salaries	127,400	126,700	130,900	0.6	-2.7
Manufacturing	19,000	18,900	18,300	0.5	3.8
TELEPHONES IN SERVICE	242,822	243,368	251,531	-0.2	-3.5
CITY SALES TAX COLLECTIONS	1,553,275	1,428,584	1,463,746	8.7	6.1
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	68,130	67,720	66,450	0.6	2.5
Unemployed Persons	6,780	7,090	4,740	-4.4	43.0
Per Cent of Labor Force	10.0	10.5	7.1	---	---
Employed Persons	61,350	60,630	61,710	1.2	-0.6
Non-Ag Wage & Salaries	52,110	51,290	52,860	1.6	-1.4
Manufacturing	8,980	8,920	8,570	0.7	4.8
TELEPHONES IN SERVICE	111,202	111,770	116,012	-0.5	-4.1
CITY SALES TAX COLLECTIONS	548,948	548,921	499,705	-0-	9.9

*Preliminary

Motor Vehicle Registration By County, 1981 and 1982

SOURCE: State Tax Commission Service Bulletin
Computations by the Division of Business Research

County	1981	% of State	% of Change	1982	% of State	% of Change
Adams	25,519	1.6	1.75	26,161	1.6	2.52
Alcorn	22,848	1.4	1.48	21,684	1.4	-5.09
Amite	9,622	0.6	0.92	9,459	0.6	-1.69
Attala	13,347	0.8	0.0	13,009	0.8	-2.53
Benton	5,359	0.3	2.53	4,991	0.3	-6.87
Bolivar	22,505	1.4	-4.34	21,640	1.4	-3.84
Calhoun	10,264	0.6	-1.02	9,800	0.6	-4.52
Carroll	6,343	0.4	2.59	6,157	0.4	-2.93
Chickasaw	11,614	0.7	-0.32	11,361	0.7	-2.18
Choctaw	5,940	0.4	-0.79	5,848	0.4	-1.55
Claiborne	6,297	0.4	-1.73	6,274	0.4	-0.37
Clarke	11,874	0.7	-0.38	11,660	0.7	-1.80
Clay	12,498	0.8	-0.71	12,493	0.8	-0.04
Coahoma	18,736	1.2	-2.00	17,988	1.1	-3.99
Copiah	16,287	1.01	-3.10	16,056	1.0	-1.42
Covington	11,240	0.7	0.29	11,139	0.7	-0.90
DeSoto	38,506	2.4	0.39	37,919	2.4	-1.52
Forrest	41,560	2.6	-0.30	40,136	2.5	-3.43
Franklin	6,276	0.4	2.58	6,101	0.4	-2.79
George	10,859	0.7	2.09	10,635	0.7	-2.06
Greene	6,169	0.4	0.13	5,880	0.4	-4.68
Grenada	13,555	0.8	0.58	13,103	0.8	-3.33
Hancock	16,608	1.0	4.45	16,931	1.1	1.94
Harrison	104,902	6.5	1.93	104,419	6.6	-0.46
Hinds	165,768	10.3	-1.74	161,796	10.2	-2.40
Holmes	10,711	0.7	-0.91	10,385	0.7	-3.04
Humphreys	7,090	0.4	-0.18	6,879	0.4	-2.98
Issaquena	1,898	0.1	-1.20	1,847	0.1	-2.69
Itawamba	13,956	0.9	-0.70	13,182	0.8	-4.11
Jackson	75,408	4.7	2.01	75,259	4.7	-0.20
Jasper	11,932	0.7	1.42	11,893	0.7	-0.33
Jefferson	4,956	0.3	0.22	4,870	0.3	-1.74
Jeff Davis	9,267	0.6	2.22	9,317	0.6	0.54
Jones	45,237	2.8	2.39	45,101	2.8	-0.30
Kemper	6,519	0.4	2.79	6,240	0.4	-4.28
Lafayette	15,514	0.9	2.96	15,340	0.9	-1.12
Lamar	17,566	1.1	5.91	17,599	1.1	0.19
Lauderdale	51,502	3.2	1.52	48,677	3.1	-5.40
Lawrence	9,068	0.6	4.87	8,722	0.6	-3.82
Leake	12,458	0.8	0.09	12,174	0.8	-2.28
Lee	40,739	2.5	-1.90	39,260	2.5	-3.63
Leflore	21,119	1.3	-2.15	22,163	1.4	4.94
Lincoln	20,938	1.3	-0.70	21,437	1.4	2.38

County	1981	% of State	% of Change	1982	% of State	% of Change
Lowndes	36,536	2.3	7.10	35,988	2.3	-1.50
Madison	25,000	1.6	2.45	25,692	1.6	2.77
Marion	17,687	1.1	-0.37	17,869	1.1	1.03
Marshall	14,631	0.9	1.76	14,764	0.9	0.91
Monroe	24,410	1.5	-1.29	23,892	1.5	-2.12
Montgomery	8,043	0.5	-0.24	7,949	0.5	-1.17
Neshoba	15,845	1.0	-1.87	15,357	1.0	-3.08
Newton	13,989	0.9	-0.02	13,630	0.9	-2.57
Noxubee	6,826	0.4	0.19	6,552	0.4	-4.01
Oktibbeha	18,986	1.2	2.20	18,388	1.2	-3.15
Panola	15,647	1.0	-2.89	15,667	1.0	0.13
Pearl River	23,652	1.5	3.81	23,786	1.5	0.95
Perry	7,692	0.5	-0.29	7,483	0.5	-2.72
Pike	24,061	1.5	2.00	23,518	1.5	-2.26
Pontotoc	13,823	0.9	-1.43	13,819	0.9	-0.03
Prentiss	15,221	0.9	3.81	14,647	0.9	-3.77
Quitman	7,220	0.5	-0.18	6,705	0.4	-7.13
Rankin	52,976	3.3	2.82	53,415	3.4	0.83
Scott	15,193	0.9	-0.86	14,790	0.9	-2.65
Sharkey	4,598	0.3	1.12	4,426	0.3	-3.09
Simpson	15,960	1.0	1.42	16,173	1.0	1.33
Smith	10,281	0.6	-1.96	9,998	0.6	-2.75
Stone	7,473	0.5	6.02	7,434	0.5	-0.52
Sunflower	16,973	1.1	-2.97	16,243	1.0	-3.93
Tallahatchie	8,907	0.6	-2.85	8,388	0.5	-5.83
Tate	12,038	0.7	1.41	11,667	0.7	-3.06
Tippah	12,626	0.8	-1.47	11,927	0.7	-5.54
Tishomingo	13,357	0.8	4.65	12,959	0.8	-2.98
Tunica	4,873	0.3	2.31	4,793	0.3	-1.64
Union	15,129	0.9	8.82	14,429	0.9	-4.63
Walthall	9,506	0.6	-0.59	9,233	0.6	-2.87
Warren	34,442	2.1	0.45	33,639	2.1	-2.33
Washington	39,575	2.5	-1.95	39,302	2.5	-0.69
Wayne	12,069	0.8	3.83	11,637	0.7	-3.58
Webster	7,467	0.5	-0.13	7,241	0.5	-3.03
Wilkinson	5,979	0.4	0.44	5,819	0.4	-2.68
Winston	13,041	0.8	-2.26	12,778	0.8	-2.02
Yalobusha	8,198	0.5	0.79	8,003	0.5	-2.38
Yazoo	16,504	1.0	-0.32	15,972	1.0	-3.22
State Total	1,616,718		0.54	1,589,187		-1.7



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Estimating the Critical Values in the Loan Application for the New Firm

by
Arthur R. DeThomas
and
Allan C. Reddy

INTRODUCTION

Even to the experienced, the problems involved with preparing a loan application for an existing business and subjecting the information and underlying assumptions to the critical review of a loan officer are formidable. But to the new entrepreneur the task can be terrifying if not impossible. The myriad of marketing and financial estimates required in the application are often beyond the reach of the neophyte. This need not be the case. As will be shown in this article, the task becomes manageable with a clear understanding of the nature of the loan application, knowledge of available sources of information, and familiarity with a straightforward technique for making projection from this information.

The Loan Application

The loan application serves as the primary vehicle through which the new firm communicates with the lending institution. From the information provided, the loan officer formulates judgments on the firm's profit potential, the quality of its management, and its overall credit capability. To be effective, the loan application must clearly reflect the evidence of thorough investigation and careful planning in those areas of utmost concern to the lender. As with any planning venture, an effective research effort and sound reasoning based on valid hypotheses is more important than the resulting numerical estimates.

As viewed by the creditor, it is the probability of profitable operations for the new venture that determines credit risk. Without sound arguments that the lender's commitment will be adequately protected by earning power, the loan request is doomed. Success depends on the loan application providing convincing

answers to three fundamental questions.¹ The reason funds are needed; what types of assets and what aspects of operation must be financed? What amount of financing is needed; how much in short, intermediate, and long-term funds are necessary? What are the primary and contingent sources of repayment; what is the most probable estimate of earnings and cash flow and what amount of asset protection will be available in the event of failure?

Answers to these questions are provided by the pro forma balance sheet, pro forma income statement, and cash budget contained in the loan application. But the acceptability of the forecasted statements depends on the quality and realism of the sales, assets, and cash flow estimates on which they are founded. To have credence, these critical estimates must be established on well-founded, clearly documented assumptions. Unless reasonable supporting evidence is provided, the lender will not be satisfied that he fully understands, and equally important that the applicant fully understands all of the important variables that affect the loan. As with most business planning efforts, preparation of the pro forma financial statements begins with an acceptable estimate of sales.

Estimating Sales

Without an historical sales trend from which a projection can be extrapolated, the new business venture must derive a sales estimate from an analysis of the market area in which the firm will operate. In the retail industry, the classification for the "Example Furniture Store" of Albany, Georgia, illustrated in this article, success of the individual establishment is closely correlated with the size and buying power of the market area surrounding the store location. To estimate demand and sales revenue for a particular product line,

data must be gathered on the number of individuals or families in the defined market area, their income levels, and an estimate of their average expenditure for the product line, and a measure of the competition in the defined market area.

The data necessary for estimating market potential and sales are available in the Department of Commerce publications titled the *U.S. Census of Population* and the *U.S. Census of Retail Trade*, the October issue of the periodical *Sales and Marketing Management*, and the latest issue of *The Almanac of Business and Industrial Financial Ratios*, published by Prentice-Hall, Inc. The most recent census data are for 1970 and 1972, respectively, while annual data is provided by *Sales and Marketing Management* and *The Almanac*. A measure of the degree of competition in the market area is obtained by a simple count of the stores in existence.

With the appropriate data from these sources, the sales estimate can be made using the following procedure.

1. From the **Census of Retail Trade** obtain the total furniture sales figure for the Standard Metropolitan Statistical Area (SMSA) under study. For the Albany, Georgia SMSA total furniture sales were \$7,955,000.²
2. Adjust the sales figure for the rate of inflation using the appropriate cost of living index number. In this case the sales figure of \$7,955,000 is multiplied by the Consumer Price Index (CPI) number of 1.976 for the period 1972-1980 to obtain an adjusted total furniture sales figure of \$15,720,000 for the Albany SMSA.
3. Obtain the income level figure for the SMSA under study from the *U.S. Census of Population* data. For the Albany SMSA the figure for 1970 is \$414.0 million (23,187 households times \$18,388 of average income per household).³
4. Adjust the SMSA total income figure for the rate of inflation using the CPI number of 2.13 for the period 1970-1980. The adjusted income figure for the Albany SMSA is \$881.81 million.
5. Divide the adjusted total furniture sales figure computed in step 2 by the adjusted income

figure computed in step 4 to obtain the estimated percentage of each income dollar spent on furniture in the SMSA under study. For Albany the figure is 1.78%.

6. From **Sales and Marketing Management** obtain the Effective Buying Index (EBI) for the S&MM Metro Area under study. The estimated EBI figure for the Albany Metro Area computed for 1981 (the planning year for the loan application) is \$912.6 million. This figure was obtained by using the given 98% change to adjust the estimated 1984 amount of \$1.365 million back to 1979. This value of \$689.4 million (\$1.365 divided by 1.98) was then extrapolated forward to 1981 using the implied average annual compound rate of growth of 15% (689.4 to 1.365 over 5 years).
7. Multiply the EBI figure from step 6 by the estimated percentage expenditure for furniture in sales dollars. For the Albany Metro Area the estimated market potential in 1981 would be \$16.24 million (\$912.6 times 1.78%).
8. From **The Almanac of Business and Industrial Ratios** obtain the average sales per furniture store. Using stores with assets under \$1 million, average sales are \$512,891. Since the *Almanac* data are three years behind the date of issue, the average sales figure must be adjusted for inflation. In this case the 1977 figure of \$512,891 is multiplied by an estimated CPI number of 1.55 (1977 to 1981) to obtain adjusted average sales of 794,981 for 1981.
9. Multiply the average sales figure from step 8 by the number of furniture stores in the SMSA and subtract this amount from the market potential figure computed in step 7. The remainder is untapped market potential for that SMSA. Assuming 19 furniture store in the Albany SMSA suggests an untapped market potential of \$1.14 million (\$16.24 million minus 794,981 times 19).

All or any guesstimated portion of the untapped market potential figure can serve as the sales estimate

for the new firm. Ignoring any possible share of the existing market, Example Furniture Store conservatively estimates that with innovative and aggressive management it will capture at least \$1 million of sales from the untapped market potential.

Determining Financing Needs

Sources of Information

Armed with a realistic sales estimate, the size of the loan request can be established. This figure is the sum of the funds needed to acquire the firm's asset base and the amount necessary to carry short term deficit operations. Information for these projections is provided by pro forma statements and a cash budget. Like the cash budget, the pro forma balance sheet and income statement are compilations of forecasted values and reflect the results of assumed conditions on the financial position of the firm. Where internally generated financial data are available, the budgeted statements can be prepared using past operating and financial relationships. In its absence, as in the case of the Example Furniture Store, external data must be substituted to establish the required relationships.

Two excellent sources of surrogate financial data are readily available. Detailed balance sheet and income statement data for a large number of retail industry classifications are published in the **Annual Financial Statements** by Robert Morris & Associates and for a wide variety of manufacturing classifications in the **Quarterly Financial Report For Manufacturing, Mining and Trade Corporations** published by the Federal Trade Commission. These data are based on large samples and are stratified by asset size thereby providing information on firms ranging from small to very large.⁴

Making the Estimates-Pro Forma Statements

The selected surrogate data is used in conjunction with an elementary financial technique known as the "percent of sales" method to make the necessary financial projections for the new firm. This approach involves the use of an established or projected relationship between sales and key financial variables to gauge the approximate amount of external financing required to accommodate a planned level of operations and the profits or cash flow those operations will provide. Application of the percent of sales method using the **Annual Financial Statement** data and Example's sales estimate of \$1 million involves the following steps.

1. From the **Annual Financial Statements** determine the dollar amount for total assets, current assets and current liabilities for the aggregate firm in the asset size category in which the loan applicant falls as follows:
 - a) the dollar amount of total assets is given as the last item of each data column. For the Example illustration this figure is \$145962M.
 - b) to obtain the dollar amount of current assets apply the percent current assets to total assets figure (81.7% from row 6, column 273) to the dollar amount of total assets. In this illustration current assets would be \$119251M (81.7% times \$145962M).
 - c) solve for current liabilities using the given, average, current ratio relationship (current assets divided by current liabilities) and the computed dollars of current assets from 1-b. Thus, \$119251M divided by the unknown current liabilities equals 2.1 (mean current ratio value in column 273) or \$56934M of current liabilities.
2. To establish the percentage relationships used to make projections for the new firm, take total assets (step 1) and current liabilities (step 1-c) as a percent of net sales (the second to the last item in the data column).⁵ In this illustration total assets are 49.2% of sales (\$145962M divided by \$296906M) and current liabilities are 19.2% of sales (\$56934M divided by \$296906M).
3. Obtain the external financing requirement estimate for the new firm by applying the total asset percentage to the estimated sales for the new firm and subtracting estimated sales times the current liabilities percentage. This latter figure represents the amount of the financing needs that trade creditors and accruals may be expected to supply. For Example, the external financing requirement would be \$300,000 (49.2% times \$1 million minus 19.2% times \$1 million).
4. Obtain the portion of the loan request that will be used to finance assets by deducting the owner's intended investment from the external financing figure. The owner of Example has \$150,000 of equity capital leaving \$15,000 to be financed.⁶

The remaining detail required to complete the pro forma balance sheet can be developed in the same manner using the appropriate **Annual Financial Statement** data. Of particular concern to both the lender and management in Example's case would be the estimates for the level and resulting turnover of inventory and receivables. Careful control of these two assets is critical to the success of the retail operation.

The pro forma income statement and profit estimate can also be made using **Annual Financial Statement** data. Simply apply the percent of sales figures found in the "Income Data" section to the estimated sales figure for the new firm. To arrive at the cash flow or funds from operations figure add depreciation charges to the computed profit figure. Depreciation charges can be estimated by multiplying sales by the selected ratio value for "% Depr. Dep. Amort./Sales" given in the Statement. For the Example Furniture Store the estimated profit under normal operations would be \$39,000 (3.9% times \$1 million) and projected cash flow would be \$119,000 (\$39,000 plus 8% times \$1 million).

The Cash Budget

The remaining portion of the loan request consists of the financing necessary to support any short term deficit operations. Data for this estimate plus the information necessary to satisfy the lender's concerns regarding sources of repayment are provided by the cash budget. The cash budget is a detailed blueprint of the impact that planned operations will have on the period-by-period liquidity position of the firm. Its preparation forces the planner to deal with the difficult tasks of identifying the important variables affecting the firm's operations and evaluating the significance of each to the firm's scarce resources.

The cash budget is constructed by estimating the amount and timing of cash inflows and outflows over the planning horizon. These estimates are made for the new firm using a combination of surrogate data and judgment based on the entrepreneur's investigation and experience. The starting point is a breakdown of the annual sales estimate into appropriate budget periods. For the purpose of the loan application, as opposed to internal use, longer budget intervals such as monthly or quarterly would be acceptable. Since only reasonable approximations can be made, the annual sales figure can be prorated over the budget periods and appropriate adjustment made for season variations and for those early periods of lean sales that are expected for the fledgling firm.

The next step in preparing the cash budget involves translating the sales figure into cash inflows. Where credit will be extended, cash inflows are obtained by applying credit terms to the estimated proportion of credit sales and combining these cash flows with cash sales for the period. If, for example, 30 day credit terms are granted and 50% of total sales are expected as credit sales, then cash inflows would be one-half of sales that month plus one-half of sales from the previous month.

Matched against cash inflows for each budget interval are operating and non-operating cash outflows. Guidelines for estimating operating cash outflows are available in the "Selected Operating Factors" section of the **Almanac of Business and Industrial Financial Ratios**. To do so, apply the percentages for each appropriate expense item, with the exception of depreciation which is a non-cash expense, to the budgeted sales figure in each period. The resulting cash flows are then tempered to reflect management's knowledge of the factors peculiar to the situation.

Other adjustments to operating cash outflows would include payments for inventory purchases and non-operating transactions. The amount and timing of payment for purchases is a function of inventory policy, usually represented in relationship to estimated sales, and the terms granted by trade creditors. Non-operating cash outflows include such items as scheduled loan payments, tax payments, owner's withdrawals, etc.

The difference between inflows and outflows is the firm's net cash position. This figure, plus the minimum cash balance management wishes to keep to protect against forecasting error and uncertainty, represents the estimated cash surplus or deficit for the period. The cumulative deficit for the entire planning horizon is the amount that is added to the financing for asset needs figure to determine the total request.

CONCLUSION

Estimating financing needs, profits, and cash flows for the new firm is fraught with uncertainty. Demonstrating that a competent management will be in control of operations mitigates the fears, however, that this uncertainty creates for the lender. The stronger the evidence of thorough investigation and careful planning behind the critical estimates in the loan application, the more obvious the capabilities of management, and the more convincing the loan request. The procedures and information sources suggested in this article, while not foolproof, do provide a realistic, well-founded, first-look at the expectations and needs of the new firm.

(Continued page 12)

Meeting The Students' Needs For A Masters Degree Program

by
Pembroke Rees
and
Charles L. Rumford
University of Alabama, Huntsville

Introduction

The Masters Degree Program in Administrative Science (M.A.S.) has been in existence at this university for several years, during which over 300 students have earned their M.A.S. degrees. The program and the faculty changed, and the age of entering students began to change. With these changes in the student body becoming greater, the need arises to determine if the program is providing the students the course material, counseling, feedback, and other benefits they need.

The M.A.S. Program is an interdisciplinary masters degree program of 33 semester hours for practicing administrators. The program is considered professional in character. It consists of seven core courses (21 hours), listed in Table 1, and allows four courses (12 hours) in a specialized option (eg: Administrative Science, Operations Research, Computer Science, Project Management, Education). There is no requirement for a thesis.

The program is designed primarily for mid-career executives and early career executives-to-be. There are no specific course requirements for admission into the program, although certain option courses may have prerequisites. Originally, admission was intended for students with two+ years experience as a middle manager, but later this requirement was dropped. The early students were middle managers, largely civil servants at the nearby government installation. Other managers, then non-managers attended. The academic background of the students varied from engineering to the liberal arts.

The purpose of this study is to define the student body of the program in relevant demographic terms, to learn how to meet its needs better, and to provide a better program.

TABLE 1

CORE COURSES

AS621	Introduction to Administrative Science
	Introduction to the topics of the other non-quantitative core courses
AS622	Human Behavior in Organizations
	Organizations as continuing social systems; motivation, incentives, communications; selections, training, placement of personnel
AS623	Complex Organizations
	Survey: theories of organizations and their structures
AS624	Organizational Planning, Direction, Coordination, and Control
	The major administrative functions in an organizational setting
AS625	Labor Relations and the External Environment
	Survey relationships between management and organized labor; collective bargaining process; effects of environment on labor relations
AS626	Business Decision Economics
	Decision making techniques for solving economic and financial problems. Emphasizes practical decision problems. (not required of Education Administration Option students)
AS627	Quantitative and Research Methods in Administrative Science
	Statistical analysis

The instrument employed is a questionnaire asking demographic information, the value of the various benefits, and the helpfulness of the core courses.

The responses to the questionnaire are analyzed for the opinions of graduates. The responses are also compiled by type of employment (supervisory and non-supervisory) type of employer, sex, etc.

This study presents the analysis of the responses to the questionnaire. It is expected that the results will indicate changes that are taking place in the student demographic characteristics, direction for improvement in the course content and requirements, and other changes that will increase the effectiveness and relevance of the M.A.S. program, and increase the enrollment in the program.

Method of Analysis

The survey consists of a questionnaire mailed to all persons who completed the M.A.S. degree between 1975 and the end of the winter term, 1970-80. A mailed questionnaire was selected as the only feasible method of reaching the entire population of graduates. Prior successful use of this method is extensive in spite of its disadvantage of low response rate.

Construction of the questionnaire was based primarily on questionnaires used by Monroe, Tuttle, and Lorimor and by Clemmer and Bertrand. Final design of the instrument was checked by the Administrative Science Graduate Faculty. Demographic questions were asked: year of graduation, age, sex, type of employment, supervisory or non-supervisory, etc. One set of questions requested scaled answers ("extremely helpful" to "not at all helpful") concerning benefits of M.A.S. program, academic counseling, instructor feedback, etc. A second set of questions scaled similar to the preceding set requested evaluation of the core curriculum in relation to current managerial activities and to personal career development. This grouping of questions follows the arrangement used by Berry et. al.

As noted above, an effort was made to survey the entire population of graduates (314). As the population is small, it was considered better to survey the entire population rather than a sample. In retrospect, this was a fortunate decision due to the many classifications of employment within the population. Surveying this population presents a peculiar problem: many of the graduates are employees of the Federal Government, civilian and military, and have moved, frequently without leaving a forwarding address. Seventy-eight questionnaires were returned as undeliverable; 21 of

these were remailed to more current addresses. The overall response rate is 47% as shown in Table 2.

TABLE 2
Rate of Response

	Year of Graduation						Total
	1975	1976	1977	1978	1979	1980	
Number mailed/delivered	45	51	63	57	66	32	314
Undeliverable	11	19	23	14	1	0	68
Total responses	17	22	17	26	38	29	149
Rate of response	38%	43%	27%	46%	58%	91%	47%
Rate of response of delivered questionnaires	50%	69%	42%	60%	58%	91%	61%

The responses rate is somewhat lower than that of similar surveys reported by Monroe, Tuttle, and Lorimor (65.75%) and Clemmer and Bertrand (65%) although both of these response rates were based on at least two mailings. This suggests that the federal employees may be under-represented among the respondents. Even so, these (civil service and military) are two of the largest occupational groups among the respondents, as shown in Table 3.

TABLE 3
Employment of Respondents

Employment	Graduates	
	No.	%
Education	14	9.4
Manufacturing	27	18.1
Service	10	6.7
Other Non-government	10	6.7
Federal (civil)	52	34.9
State	4	2.7
Municipal	7	4.7
Military	14	9.4
Other Governmental	1	.7
No response/unemployed	10	6.7
Total	149	100.0

Gough and Hall compared characteristics of non-respondents and respondents to a survey of graduates from one medical school. Fortunately, the medical school had considerable information about the population surveyed: application (for admission) date, grades, and the results of various tests of intelligence, personality, vocational interest, etc. Three significant differences between respondents and non-respondents were found in personality test results, three significant differences in the vocational interest tests, and two significant differences in demographics. There were 24 scales in the personality test, 63 scales in the vocational interest tests, an unknown quantity of scales in the remaining data. Overall, only very slight and inconsequential differences were found between respondents and non-respondents.

As the population surveyed here is entirely graduates of one program at one university, it has considerable homogeneity, though not likely to the same extent as Gough and Hall's population. On this basis, it is considered likely that the only noticeable difference between respondents and non-respondents, if any exists, is in employment.

Another source of error is the span of time (of graduation) over which the survey is conducted. Some of the earliest graduates entered the program as much as seven years before some of the more recent graduates. During this time numerous changes occurred in course content and in faculty.

In the tabulation of responses, values in a cell are omitted if fewer than five responses were received.

Discussion

The demographic composition of the respondents is given in terms of type of employment, supervisory or non-supervisory position, sex, age, and current employment (Table 3).

The most frequent employment is U.S. civil service (34.9%), with manufacturing (18.1%) next, followed by education and military (9.4%). Since the survey was taken, the number of children in the public schools in the state has dropped considerably, eliminating the need for new school administrators and, consequently, eliminating students from the education option.

Table 4 presents the percentage of supervisors and female students, and average ages by year of graduation. The percentage of supervisors varies from year to year, but shows no significant trend; it averages 53.5%. the proportion of women in the program is increasing slowly from 10.6% in 1975-77 to 1979-80 when women

were 19.4% of the graduating class. The average age of graduates is decreasing slowly, from over 40 in 1975-76 to 36 in 1979-80. Women in the program (since the 1978 graduates) average three to five years younger than the men.

TABLE 4
Supervisors/Non-Supervisors, Sex and Age
vs
Year of Graduation

Year of Graduation	1975	1976	1977	1978	1979	1980
Supervisor						
No.	7	8	14	10	21	13
Percent	50.0	38.1	82.4	40.0	58.3	52.0
Non-Supervisors						
No.	7	13	3	15	15	12
Percent	50.0	61.9	17.6	60.0	41.7	48.0
Sex						
Male	40	46	56	44	53	26
Female	5	5	7	13	13	6
Percent Female	11.1	9.8	11.1	22.8	19.7	18.8
Age (Average)	40.8	43.5	39.6	40.9	33.5	36.5
Male	42.4	43.3	39.8	40.9	35.2	37.6
Female	35.5	45.5	45.5	40.9	31.1	32.2
Total Respondents	45	51	63	57	66	32

BENEFITS OF THE PROGRAM

How well the university provided certain benefits expected from the program is shown in the responses given in Table 5. The average scores given are based on a 5 point scale: from 1 = not at all helpful to 5 = extremely helpful. The occupational groups listed are those with 5 or more respondents. While these value labels are not exact, they provide an ordinal scale for opinions of the degree of help from each benefit and a basis for comparing the relative values of the various benefits. The benefits the graduates were asked to evaluate are 1) applicability of the program to their job responsibilities, 2) a theoretical understanding of the topics presented, mainly in the core courses, 3) academic counseling by faculty, 4) feedback on examination papers, 5) answering of their questions in class, and 6) value of personal conferences with faculty.

TABLE 5
Opinions of Benefits of the
Program in Administrative Science

		Total	Education	Mfg.	Service	Federal	Military
Responses Applicable to Responsibility	Total	149	14	27	10	52	14
	Supv	3.45	3.75	3.24	3.80	3.40	3.85
	Non-supv	3.77*	4.00	3.67	4.17	3.60	3.80
Theor. Understanding	Total	3.05*		2.14		3.25	
	Supv	4.15	4.50	4.19	4.10	4.10	4.50
	Non-supv	4.25	4.44	4.21	4.50	4.05	
Academic Counseling	Total	4.12	4.60	4.12		4.13	
	Supv	2.65	2.85	2.67	2.33	2.86	2.64
	Non-supv	2.58	3.00	2.68	2.50	3.00	2.55
Feedback on Exam Papers	Total	2.79	2.60	2.62		2.77	
	Supv	3.29	2.93	3.41	2.90	3.50	2.93
	Non-supv	3.30	2.78	3.53	2.83	3.62	3.00
Answering Questions in Class	Total	3.24	3.20	3.12		3.42	
	Supv	3.81	3.86	3.93	3.20	3.92	3.86
	Non-supv	3.81	3.78	3.95	3.33	3.90	
Personal Conferences	Total	3.80	4.00	3.88		3.94	
	Supv	3.42	3.64	3.35	3.11	3.53	3.36
	Non-supv	3.50	3.67	3.37	3.00	3.70	3.45

Scale Values: 1 = not at all helpful
2 = somewhat helpful
3 = helpful
4 = very helpful
5 = extremely helpful

*Significant at 1%

Applicable to Responsibility. Respondents considered the program more than "helpful" but less than "very helpful" in its application to their job responsibilities, rating it 3.45 on the 5 point scale. Supervisors rated the program more helpful (3.77) than non-supervisors (3.05), significant at the 1% level. Respondents in the military and in service industries found the program the most helpful, manufacturing the least. In some employment categories fewer than five non-supervisors responded; therefore no value is given for these categories. The ordinal value of their rating is inferred from the rating of the total group and of the supervisors. Service industries, mainly computer software, and manufacturing are growing in the local area. The program is more applicable to service industries, less to manufacturing. Therefore, more effort is needed to direct the program toward manufacturing managers.

Theoretical understanding. Respondents found the program more helpful in gaining a theoretical understanding of administration than for any other benefit examined in the survey. Education and military rated it highest (4.50) with manufacturing (4.19) next. These ratings are high on a 5-point scale, indicating considerable success in reaching the students. It would be helpful to discover which approaches to the material were most effective and to apply them to less successful areas. As the top two occupational groups are proportionally smaller (or non-existent) in the present student

body than among the graduate respondents, efforts are needed to make the program more relevant to the present students.

Academic Counseling. This benefit is rated lowest, averaging below "helpful," in part, at least, because of paucity of faculty available for counseling. While most of the respondents were matriculating there were too few full-time faculty assigned to this program for adequate counseling. More faculty have been added to the program, and more are needed.

Feedback on Examination Papers, and Personal Conferences. Feedback on examination papers and personal conferences are rated better than "helpful" overall, the highest rating given by educators and federal employees. There is little difference between supervisors and non-supervisors. More attention by faculty is needed in these areas.

Answering Questions in Class. Answering questions in class was rated just below "very helpful," for all occupational groups except service, indicating a desirable rapport between students and faculty.

These ratings indicate that the theory is being presented and understood well but that application of the theory to the job, while good, is less than desired. The theory presented in the program leans heavily toward human behavior. The lack of applicability to the manufacturing employees' work needs.

Evaluation of the Core Courses

The core courses, all together, are intended to introduce the students to topics common to all areas of administration/management—business, government, not-for-profit organizations. The courses are evaluated on a 3-point scale—1 = not helpful, and 2 = helpful, and 3 = very helpful—for usefulness on the job and for personal growth.

The valuations for helpfulness in current job activities is presented in Table 6, with values given the same occupational groups noted earlier. All courses are rated better than "helpful" with no significant differences among them. Supervisors generally found the courses more helpful than non-supervisors. This relationship is expected, and desired, as the program is intended to enhance managers' abilities and opportunities.

The human behavior course is rated the most helpful (2.66). Courses covering human behavior, organizational theory and administrative tasks (the first four courses) are rated higher than the other courses. This preference is appropriate as these areas contain the main thrust of the program.

The quantitative courses are rated the lowest. This is an area in which students have the least previous education and usually the least interest. Efforts are being made to require more prerequisites and to upgrade this part of the program to enable future graduates to be better prepared to cope with the increasing quantification of administration.

The labor relations course is rated low, just above the quantitative courses. This rating raises questions concerning the value of labor relations as a required course. Partly as a result of the low rating, this course has been dropped as a requirement but retained as an elective.

The evaluation of the core courses for personal growth is summarized in Table 7. Overall, graduates valued the courses for personal growth the same for help with current work (2.32 vs 2.01). Graduates valued the first four core courses higher for personal development than for current work, the labor relations course equally for both, and the last two courses (quantitative) higher for current work than for personal development. Supervisors valued personal growth and help for current work equally (2.39 and 2.40). The non-supervisors place a lower value on the courses for personal growth (1.94) than on help for current work (2.18) and decision economics (2.19). Supervisors valued all courses except organizational planning higher than did non-supervisors.

TABLE 6
Evaluation of Core Courses for Current Job Activities

Course		Total	Education	Mfg.	Service	Federal	Military
	Responses	149	14	27	10	52	14
Intro. to Admin. Science	Total	2.38	2.69	2.33	2.20	2.32	2.58
	Supv	2.50	2.67	2.42	2.33	2.45	2.56
	Non-supv	2.22	2.75	2.12		2.21	
Human Behavior in Organ.	Total	2.66	2.50	2.56	2.90	2.71	2.75
	Supv	2.71	2.50	2.58	3.00	2.86	2.78
	Non-supv	2.56		2.50		2.58	
Complex Organizations	Total	2.36	2.41	2.27	2.56	2.44	2.33
	Supv	2.41	2.11	2.44	2.67	2.55	2.33
	Non-supv	2.23		1.88		2.36	
Organ. Plan., Coord. & Control	Total	2.46	2.23	2.46	2.60	2.51	2.42
	Supv	2.46	2.00	2.44	2.67	2.65	2.33
	Non-supv	2.43		2.50		2.40	
Labor Relations	Total	2.16	2.23	2.38	2.00	2.17	1.67
	Supv	2.36	2.33	2.53	2.17	2.55	2.56
	Non-supv	1.90		2.00		1.82	
Business Decision Economics	Total	2.06	*	2.22	2.10	2.12	1.83
	Supv	2.18	*	2.37	2.17	2.20	2.00
	Non-supv	1.90	*	1.88		2.04	
Quant. & Research Methods	Total	2.13	2.00	2.19	2.30	2.24	1.82
	Supv	2.19	1.88	2.32	2.17	2.42	2.00
	Non-supv	2.00		1.88		2.09	

*Not required for Education Option.

Service and manufacturing valued the courses highest for personal growth, military least. Responses to the first four courses for both current job activities and for personal career development are associated (by Kendall's Tau) with at least one aspect of every other core course except labor relations.

TABLE 7
Evaluation of Core Courses for Personal Career Development

Course		Total	Education	Mfg.	Service	Federal	Military
	Responses	149	14	27	10	52	14
Intro. to Admin. Science	Total	2.48	2.67	2.56	2.22	2.43	2.46
	Supv	2.57	2.56	2.67	2.23	2.53	2.40
	Non-Supv	2.38		2.29		2.37	
Human Behavior in Organ.	Total	2.61	2.56	2.64	2.78	2.68	2.57
	Supv	2.64	2.38	2.67	2.83	2.70	2.55
	Non-Supv	2.56		2.57			
Complex Organizations	Total	2.31	2.25	2.33	2.62	2.33	2.36
	Supv	2.36	2.11	2.41	2.67	2.42	2.27
	Non-Supv	2.22		2.14		2.28	
Organ. Plan., Coord. & Control	Total	2.33	2.33	2.60	2.56	2.38	2.29
	Supv	2.37	2.33	2.39	2.67	2.42	2.18
	Non-Supv	2.29					
Labor Relations	Total	2.15	2.33	2.25	1.67	2.24	2.00
	Supv	2.27	2.56	2.28	1.83	2.53	1.82
	Non-Supv	2.02		2.17			
Business Decision Economics	Total	2.19	*	2.24	2.33	2.20	2.14
	Supv	2.25	*	2.33	2.17	2.11	2.27
	Non-Supv	2.13	*	2.00		2.26	
Quant. & Research Methods	Total	2.18		2.08	2.22	2.37	2.08
	Supv	2.24		2.28	2.00	2.39	2.20
	Non-Supv	2.14		1.57		2.36	

*Not required for Education Option.

It appears that the first four courses are considered as parts of a single package. The quantitative and research methods course is recognized as having some relation to the other courses, but labor relations and business decision economics appear not to be associated with the other core courses.

The differences in responses by supervisors and non-supervisors for the valuation of human behavior and every other course are significant by t-test. Most of the differences between the first four courses and the last three are significant. Supervisors generally value the core courses higher than non-supervisors.

Significant differences in the rating by different occupational groups occurred for human behavior (current activities) between manufacturing and service; for labor relations between manufacturing and military, and for personal career development between service and federal.

Conclusion and Recommendations

It was found that the composition of the student body is changing; it has been observed that there are increasing numbers of women, younger students (both men and women, the women being younger), and more full time students. The proportion of supervisors among students remains unchanged. The most frequent type of employment is the federal civil service.

Supervisors generally found greater benefits from the program than did non-supervisors. Respondents in service industries and the military found the program the most helpful, those in manufacturing found it the least helpful. The greatest success of the program was in providing theoretical understanding of management and organization, least in counseling. These measures of helpfulness point to areas where the opportunity for improvement is the greatest. As there is no threshold value of acceptability, the relative values guide the efforts to where they are needed most.

The respondents found human behavior the most helpful core courses for both current job responsibilities and for personal career development. Courses covering human behavior, organizational theory, and administrative tasks are rated higher than the other courses. Respondents found the quantitative courses and labor relations least helpful in both categories.

Changes in the demographic make-up of the student body should be projected several years to aid in predicting the future needs of the students expected in the program. More attention should be paid to the students' needs for counseling and personal conferences. Faculty should provide better and quicker feedback to students on exams and papers.

Increasing efforts should be made to upgrade the quantitative part of the program to enable graduates to be better prepared to cope with the increasing quantification of administration. Ways should be explored to make the courses more relevant to managerial responsibility, particularly where one major occupational group found a course or courses not sufficiently helpful.

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Estimating the Critical Values in the Loan Application for the New Firm

(Continued from page 6)

FOOTNOTES

1. Also of concern to the lender is evidence of a sound economic justification for the new venture, sufficient equity capitalization, demonstrated business experience, an acceptable personal and/or previous business credit record, and the quantity and quality of available collateral. While important, discussion of these considerations is beyond the scope of this paper.
2. 1972 Census of Retail Trade, Volume II, Part 1, pp. 11-8.
3. 1970 Census of Population, Volume I, Part 12, pp. 12-328.
4. The use of aggregate data for individual comparison involves obvious limitations. Such limitations lose significance, however, in this application. In the case of the highly uncertain new firm, all that can be expected is some reasonable basis for making projections. These data provide acceptable guidelines for this purpose.
5. In addition, the typical loan application will require an item by item breakdown of fixed assets.
6. Although the 50% debt/equity relationship has been arbitrarily selected, the author has found that this ratio is often expressed by lenders as a rule-of-thumb for the new firm.

MEET THE FACULTY

Vardaman Vance
School of Accountancy



After devoting thirty years to the educational system in Mississippi, Vardaman Vance will retire in May.

His thirty years not only include twenty-three years of teaching Accounting at Mississippi State, but teaching in the secondary schools, Superintendent of Mandell High School in Leake County and teaching at Holmes Junior College.

Mr. Vance received his degrees from East Central Junior College, University of Southern Mississippi and

Mississippi State. In college he was a member of Beta Alpha Psi, National Honorary Accounting Fraternity.

He has been listed in **Personalities of the South** and **The Two Thousand Men of Achievement**. Mr. Vance continues to be a member of The American Accounting Association and the Mississippi Society of Certified Public Accountants.

Mr. Vance's hobbies are furniture refinishing and woodworking which will keep him busy after retirement.

Tourist Briefs

Cedar Grove Vicksburg, Mississippi



Built by John Alexander Klein for his bride, Elizabeth, Cedar Grove is one of the South's largest and most picturesque antebellum mansions. Filled with many of the original pieces of furniture, the mansion stands on a hill overlooking the Yazoo River.

Although the mansion survived the siege of Vicksburg, there is still a reminder of a Union cannon-

ball lodged in a parlor wall as to how close it came to being destroyed.

The house has the distinction of having had Jefferson Davis dance in its ballroom and Ulysses S. Grant sleep in the master bedroom.

Located on Oak Street, Cedar Grove is listed in the National Register of Historic Places.

Food Stamp Participation By County, January, 1983

SOURCE: State Welfare Department

County	Number of Households ² (Average Allotment \$136.05)	Number of Persons ³ (Average Allotment \$42.71)	Coupon Value ⁴ (Average Per Meal \$.46)	County	Number of Households ² (Average Allotment \$136.50)	Number of Persons ³ (Average Allotment \$42.71)	Coupon Value (Average Per Meal \$.46)
Adams	2,871	8,362	368,064	Lefflore	3,153	11,496	473,419
Alcorn	2,253	5,899	249,016	Lincoln	2,075	6,094	258,967
Amite	932	3,251	125,071	Lowndes	2,663	8,832	386,971
Attala	1,688	5,264	209,652	Madison	3,723	13,248	580,817
Benton	830	2,959	123,699	Marion	1,788	5,738	249,072
Bolivar, E	3,004	11,151	470,086	Marshall	3,323	11,817	500,042
Bolivar, W	1,087	4,625	199,073	Monroe	1,843	5,789	240,882
Calhoun	1,025	2,979	113,132	Montgomery	1,468	4,034	160,157
Carroll	828	2,559	98,336	Neshoba	1,573	4,710	179,706
Chickasaw, E	388	1,136	40,944	Newton	1,208	3,512	135,721
Chickasaw, W	693	2,020	74,903	Noxubee	1,617	5,609	234,424
Choctaw	787	2,303	93,368	Oktibbeha	1,945	5,888	262,829
Claiborne	1,287	4,048	184,685	Panola	2,554	9,448	378,057
Clark	1,314	3,718	141,750	Pearl River	2,052	6,041	266,798
Clay	1,655	5,289	226,503	Perry	1,190	3,512	153,640
Coahoma	3,747	13,598	581,742	Pike	2,541	7,939	341,033
Copiah	2,183	6,726	288,827	Pontotoc	1,242	3,247	120,943
Covington	1,305	4,208	171,216	Prentiss	1,364	3,838	152,012
DeSoto	2,191	7,776	321,155	Quitman	1,331	5,024	205,407
Forrest	4,369	12,002	531,399	Rankin	2,297	7,167	288,388
Franklin	935	2,601	110,747	Scott	1,549	4,757	185,440
George	1,173	3,523	164,722	Sharon	1,033	4,185	176,682
Greene	1,037	3,225	141,525	Simpson	1,409	4,213	171,901
Grenada	1,245	4,050	169,109	Smith	854	2,592	97,279
Hancock	1,794	5,163	242,125	Stone	640	2,138	90,440
Harrison	6,285	19,800	903,156	Sunflower	2,888	11,560	482,862
Hinds	14,579	43,823	2,033,424	Tallahatchie	1,883	7,360	294,693
Holmes	3,482	11,424	510,502	Tate	1,719	5,410	219,685
Humphreys	1,150	4,394	185,211	Tippah	1,468	4,239	165,554
Issaquena	255	973	40,502	Tishomingo	1,046	2,565	102,442
Itawamba	890	2,227	90,445	Tunica	1,430	5,257	221,537
Jackson	5,342	17,125	859,485	Union	1,262	3,601	136,688
Jasper	1,217	3,985	153,980	Walthall	1,186	3,964	160,226
Jefferson	967	3,203	122,799	Warren	3,199	9,528	434,241
Jeff Davis	1,267	4,017	162,166	Washington	6,201	21,974	974,182
Jones	2,743	7,808	313,168	Wayne	1,848	5,673	243,389
Kemper	759	2,575	98,848	Webster	781	2,109	86,550
Lafayette	1,176	3,520	133,651	Wilkinson	1,153	3,511	137,397
Lamar	1,529	4,536	193,017	Winston	1,963	6,050	244,795
Lauderdale	3,650	10,961	478,408	Yalobusha	1,081	3,169	126,466
Lawrence	883	2,585	103,060	Yazoo	2,865	9,499	407,696
Leake	1,904	5,553	228,364				
Lee	2,074	5,663	236,112				

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person (\$42.71) by total number of average meals a month (90)

Sales Indicated By Sales Tax Collections During January, 1983 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,637	37,492	Lowndes	1,748	41,861
Alcorn	942	27,895			
Amite	127	2,837	Madison	898	28,653
Attala	403	10,626	Marion	736	16,832
			Marshall	365	8,237
Benton	49	1,075	Monroe	859	23,350
Bolivar	835	20,737	Montgomery	230	5,369
Calhoun	256	6,342	Neshoba	458	12,545
Carroll	70	2,430	Newton	334	8,174
Chickasaw	335	8,414	Noxubee	174	4,694
Choctaw	100	2,245			
Claiborne	393	18,123	Oktibbeha	600	15,764
Clarke	217	5,290			
Clay	368	11,532	Panola	606	15,217
Coahoma	905	24,571	Pearl River	703	16,258
Copiah	396	8,999	Perry	244	11,106
Covington	425	9,584	Pike	1,197	27,515
			Pontotoc	298	6,985
DeSoto	814	20,492	Prentiss	383	9,933
Forrest	2,621	67,861	Quitman	149	3,573
Franklin	76	1,971			
			Rankin	1,824	49,690
George	245	5,471			
Greene	82	1,789	Scott	476	11,694
Grenada	605	16,143	Sharkey	129	3,432
			Simpson	455	10,513
Hancock	596	15,511	Smith	136	3,467
Harrison	4,654	114,224	Stone	180	3,983
Hinds	11,270	314,816			
Holmes	326	8,769	Sunflower	610	31,514
Humphreys	272	7,506			
			Tallahatchie	213	5,204
Issaquena	10	370	Tate	341	8,239
Itawamba	342	10,840	Tippah	331	9,497
			Tishomingo	349	12,011
Jackson	3,419	123,429	Tunica	154	4,168
Jasper	278	6,600			
Jefferson	76	1,684	Union	382	10,301
Jeff Davis	195	4,488			
Jones	2,396	55,628	Walsh	202	4,867
			Warren	1,392	31,244
Kemper	99	2,227	Washington	2,017	49,242
			Wayne	410	8,983
Lafayette	604	13,875	Webster	154	3,936
Lamar	433	10,550	Wilkinson	195	4,732
Lauderdale	2,671	69,397	Winston	355	8,153
Lawrence	181	4,255			
Leake	314	7,264	Yalobusha	206	4,923
Lee	2,560	76,360	Yazoo	658	18,909
Leflore	1,134	28,938			
Lincoln	678	22,216			
			State Total	69,180	1,855,497

NEW AND EXPANDED INDUSTRY

Town	Firm	Product	No. of Employees
NEW			
Aberdeen			
	Aberdeen Compress & Warehousing	Cotton Compressing	15
	Twin States Fertilizer	Custom Blended Fertilizer	6
Olive Branch			
	Allan Manufacturing Company	Iron Security Doors	25
Pontotoc			
	Moog Automotive, Inc.	Coil Springs	80
Tupelo			
	F & F Supplies, Inc.	Hair Supplies	10
EXPANDED			
Hamilton			
	Kerr-McGee Chemical Corp.	Titanium Dioxide	
Tupelo			
	Leggett and Platt, Inc.	Polyfoam	100
	Westwood Industries	Furniture	98
	E.R. Carpenter Co.	Polyurethane Foam	50
Verona			
	Tecumseh Products Co.	Refrigeration Compressors	100
	Eljer Plumbingware	Plumbing Fixtures	

INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS [Seasonally Adjusted] 1969 = 100

Indicator	January 1983	December 1982	January 1982
Retail Sales	162.0	155.5	167.9
Electric Sales	193.9	205.1	200.6
Gasoline Gallonage	115.0	157.8	153.5
Loans of Savings & Loans Institutions	17.3	26.3	40.3

Note: Telephones in service column will no longer be used because the information is no longer available.

STATE ECONOMIC INDICATORS

Indicator	January 1983 ¹	December 1982 ²	January 1982 ²	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	906,200	926,700	916,800	-2.2	-1.2
Non-Ag Employment	779,700	793,600	789,900	-13.9	-10.2
Mining	11,500	11,400	13,400	0.1	-1.9
Contract Construction	38,700	40,000	36,800	-1.3	1.9
Manufacturing	195,600	197,900	205,400	-2.3	-9.8
Transportation and Public Utilities	39,000	39,400	39,200	-0.4	-0.2
Wholesale and Retail Trade	160,100	166,400	158,700	-6.3	1.4
Finance, Insurance and Real Estate	32,800	32,900	32,600	-0.1	0.2
Service	122,600	123,600	120,300	-1.0	2.3
Government	179,500	182,000	183,500	-2.5	-4.0
Unemployment Rate (Per Cent Labor Force)	11.5	11.9	10.2	—	—
Average Weekly Earnings in Manufacturing (Dollars)	258.72	261.85	180.52	-1.2	43.3
Average Hourly Earnings in Manufacturing (Dollars)	6.60	6.53	6.29	1.1	4.9
Average Weekly Hours in Manufacturing	39.2	40.1	28.7	-2.2	36.6
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,675	2,828	2,769	-5.4	-3.4
Gasoline Delivered to Dealers (gals.) ⁶	98,230	122,132	128,141	-19.6	-23.3
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	2,483	39,930	5,300	-93.8	-53.2
Construction Loans	22,215	1,393	500	59.5	434.3
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	1,726,059	1,650,635	1,808,045	4.6	-4.5
RETAIL SALES (000's)⁹					
	1,535,910	1,365,622	1,515,739	12.5	1.3
Indicator	October 1982	September 1982	October 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹⁰					
Total Cash Receipts from Farm Marketings	340,731	111,881	446,666	204.5	-27.0
Cash Receipts from Marketing Livestock	60,120	73,004	88,551	-17.6	-32.1
Cash Receipts from Marketing Crops	280,611	38,877	378,115	621.8	-25.8

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for September

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock-Total for number of condominiums and 1-4 family homes

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹Mississippi Tax Commission

¹⁰U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month January	PerCent Month Ago	Change Year Ago	Current Month January	Month Ago	Year Ago
Aberdeen	54,045	18.5	22.0	520,700	44,400	579,800
Baldwyn	24,290	21.0	13.1	---	---	---
Batesville	94,677	70.8	63.8	18,500	82,000	20,000
Bay Springs	21,187	5.5	-4.1	26,000	---	---
Bay St. Louis	42,008	3.7	39.0	---	---	---
Belmont	19,919	116.7	102.6	---	---	---
Belzoni	30,741	6.0	8.2	8,000	1,000	4,800
Biloxi	332,960	23.6	19.6	965,000	1,440,315	1,071,769
Brandon	48,928	28.6	18.1	---	---	---
Brookhaven	140,770	18.5	7.1	---	---	---
Brooksville	2,565	-2.6	-0.9	---	---	---
Canton	68,151	13.3	15.3	738,675	54,769	59,600
Carthage	57,434	47.3	58.0	---	---	---
Charleston	16,724	-15.1	129.5	44,750	-0-	79,600
Clarksdale	156,344	21.3	29.1	127,232	80,960	53,400
Cleveland	119,488	9.1	20.0	---	---	---
Collins	26,241	3.8	-34.2	177,000	37,500	8,000
Columbia	132,545	38.7	49.8	---	---	---
Columbus	291,822	27.9	6.4	---	---	---
Corinth	137,079	7.1	20.6	---	---	---
Crystal Springs	22,365	-13.7	1.1	38,500	28,250	12,000
Drew	10,796	-3.4	1.4	---	---	---
Edwards	3,898	16.8	5.4	---	---	---
Ellisville	16,782	11.4	-7.4	---	---	---
Eupora	20,113	24.2	11.2	---	---	---
Fayette	10,575	14.9	14.2	5,000	29,000	-0-
Forest	57,711	23.7	7.8	46,000	263,000	8,000
Greenville	321,933	17.4	11.8	---	---	---
Greenwood	119,360	33.2	24.2	---	---	---
Grenada	97,903	10.0	1.8	37,000	150,000	76,000
Gulfport	365,622	37.1	23.4	894,799	699,566	2,223,574
Hattiesburg	474,653	31.3	15.0	474,520	667,228	363,560
Hernando	22,963	-1.8	-4.0	41,000	156,000	9,200
Hollandale	13,966	-12.4	6.3	114,000	25,000	36,600
Holly Springs	47,428	15.8	28.1	---	---	---
Houston	40,439	26.1	27.8	---	---	---
Indianola	72,415	6.5	18.2	---	---	---
Iuka	31,479	13.1	26.4	---	---	---
Jackson	1,928,850	28.8	18.7	---	---	---
Kosciusko	63,041	50.9	54.7	---	---	---
Laurel	386,975	20.7	-11.0	291,895	217,789	775,871
Leland	20,945	1.0	10.9	13,000	7,300	-0-
Lexington	16,782	-34.6	-6.7	---	---	---
Louisville	65,219	37.3	40.6	---	---	---
Lucedale	39,291	20.8	-4.3	1,500	10,500	32,000
Lumberton	9,663	11.7	4.6	---	---	---
Macon	18,476	15.5	9.6	---	---	---
Magee	52,509	21.9	10.2	---	---	---
Magonolia	8,993	5.5	-7.4	---	---	---
Marks	15,881	-14.0	-9.3	---	---	---
McComb	187,772	31.7	28.9	209,500	108,800	112,700
Meadville	5,870	10.0	5.7	---	---	---
Mendenhall	19,911	6.3	-9.7	-0-	40,000	40,050
Meridian	435,020	2.1	1.9	---	---	---
Monticello	22,807	26.3	0.6	23,000	5,000	39,000
Morton	21,660	5.7	12.5	---	---	---
Moas Point	55,653	16.7	13.7	80,650	303,755	81,300
Natchez	279,036	12.9	6.5	2,034,707	252,150	137,300
New Albany	65,492	16.0	21.0	---	---	---
Newton	46,290	98.1	86.6	---	---	---
Ocean Springs	104,050	40.4	41.4	---	---	---
Okolona	15,319	23.9	-7.1	---	---	---
Oxford	96,961	4.4	8.7	---	---	---
Pascagoula	223,150	16.4	5.1	---	---	---
Pass Christian	12,730	-0.9	20.8	94,450	9,650	391,980
Philadelphia	76,471	33.7	36.8	---	---	---

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month Dec.	PerCent Month Ago	Change Year Ago	Current Month Dec.	Month Ago	Year Ago
Picayune	108,410	37.7	17.0	—	—	—
Pontotoc	47,463	14.4	24.7	—	—	—
Poplarville	19,104	17.6	10.5	—	—	—
Port Gibson	18,260	16.7	—6.4	—	—	—
Prentiss	22,670	13.6	—9.3	92,000	15,000	2,000
Quitman	30,865	25.4	15.6	—	—	—
Raymond	5,760	9.8	25.4	—	—	—
Richton	10,355	21.3	—1.4	—	—	—
Rosedale	7,025	—3.4	—1.6	—	—	—
Ruleville	9,409	—13.9	0.9	—	—	—
Sardis	17,469	10.5	9.9	4,000	15,000	—0—
Senatobia	51,426	12.0	16.8	—	—	—
Shelby	8,453	—22.0	—5.7	—	—	—
Starkville	112,324	3.9	20.4	201,000	—0—	147,013
Summit	11,749	25.8	—9.9	—	—	—
Taylorville	11,234	13.0	—1.1	—	—	—
Tchula	5,535	30.0	22.7	—	—	—
Tunica	19,824	30.3	22.2	—	—	—
Tupelo	416,906	25.5	23.8	—	—	—
Union	16,442	5.3	11.1	—	—	—
Utica	9,740	1.5	11.5	—	—	—
Vicksburg	242,102	25.2	8.5	—	—	—
Walnut Grove	1,708	—6.6	—16.2	—	—	—
Water Valley	41,247	92.1	80.4	—0—	16,000	35,900
Waynesboro	82,357	52.9	25.7	18,000	201,500	50,500
West Point	60,094	6.1	15.7	601,995	4,500	171,500
Wiggins	40,471	76.0	66.4	6,500	37,000	31,000
Winona	36,276	15.8	22.6	—0—	37,000	—0—
Yazoo City	80,314	28.2	8.1	—	—	—

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	January 1983	December 1982	January 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	159,900	162,000	155,400	—1.3	2.9
Unemployed Persons	11,800	12,000	11,200	—1.7	5.4
Per Cent of Labor Force	7.6	7.4	7.2	—	—
Employed Persons	145,100	150,000	144,200	—3.3	0.6
Non-Ag Wage & Salaries	125,500	129,700	125,700	—3.2	—0.2
Manufacturing	18,500	19,300	17,400	—4.1	6.3
CITY SALES TAX COLLECTIONS	1,997,176	1,553,275	1,683,206	28.6	18.7
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
	January 1983	December 1982	January 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	69,180	69,640	66,980	—0.7	3.3
Unemployed Persons	7,440	7,510	5,430	—0.9	37.0
Per Cent of Labor Force	10.8	10.8	8.1	—	—
Employed Persons	61,740	62,130	61,550	—0.6	0.3
Non-Ag Wage & Salaries	52,500	52,760	52,780	—0.5	—0.5
Manufacturing	8,950	9,110	8,400	—1.8	5.7
CITY SALES TAX COLLECTIONS	711,312	548,948	585,185	29.6	21.6

Note: Telephones in Service column will no longer be used because the information is no longer available.

Retail Sales Tax, By County For Years 1981 and 1982

SOURCE: Mississippi State Tax Commission, Computations
made by the Division of Business Research, Mississippi State
University

County	1981	% of State	% of Change	1982	% of State	% of Change
Adams	15,719	2.39	12.45	17,621	2.56	12.10
Alcorn	9,349	1.42	6.68	8,872	1.29	5.10
Amite	1,532	0.23	19.97	1,555	0.23	1.50
Aktala	3,803	0.58	7.79	3,999	0.58	5.15
Benton	670	0.10	-1.03	574	0.08	-14.33
Bolivar	8,824	1.34	7.57	8,743	1.27	-0.92
Calhoun	2,598	0.40	1.01	2,690	0.39	3.54
Carroll	1,163	0.18	15.38	1,285	0.19	10.49
Chickasaw	2,950	0.45	5.28	3,025	0.44	2.54
Choctaw	965	0.15	-0.00	984	0.14	1.97
Claiborne	4,991	0.76	-2.73	4,758	0.69	-4.67
Clarke	2,337	0.36	4.70	2,559	0.37	9.50
Clay	3,831	0.58	6.62	3,855	0.56	0.63
Coahoma	8,319	1.27	7.59	8,758	1.28	5.00
Copiah	4,153	0.63	2.90	4,266	0.62	2.72
Covington	3,507	0.53	4.16	3,234	0.47	-7.78
DeSoto	8,083	1.23	12.84	8,103	1.18	0.25
Forrest	23,433	3.72	7.88	25,705	3.74	9.70
Franklin	1,139	0.17	32.91	1,091	0.16	-4.21
George	2,704	0.41	5.67	2,709	0.39	0.19
Greene	919	0.14	-1.92	865	0.13	-5.88
Grenada	5,716	0.87	7.24	5,846	0.85	2.27
Hancock	5,910	0.90	28.01	6,965	1.01	17.85
Harrison	41,173	6.27	44.07	44,487	6.48	8.05
Hinds	93,246	14.20	2.51	94,524	13.76	1.37
Holmes	3,733	0.57	12.10	3,520	0.51	-5.71
Humphreys	2,892	0.44	11.88	3,138	0.46	8.51
Issaquena	246	0.04	16.59	196	0.03	-20.33
Itawamba	3,066	0.47	14.36	3,478	0.51	13.44
Jackson	26,556	4.04	7.12	32,859	4.78	23.73
Jasper	3,550	0.54	15.07	3,950	0.53	11.27
Jefferson	933	0.14	9.25	931	0.14	-0.21
Jeff Davis	2,242	0.34	15.51	2,422	0.35	8.03
Jones	26,879	4.09	27.65	29,856	4.35	11.08
Kemper	1,113	0.17	3.25	1,058	0.15	-4.94
Lafayette	5,786	0.88	7.35	5,828	0.85	0.73
Lamar	2,887	0.44	21.71	3,009	0.44	8.45
Lauderdale	23,152	3.53	3.98	23,708	3.45	2.40
Lawrence	2,008	0.31	7.67	2,165	0.32	7.82
Leake	3,020	0.46	0.19	31,135	0.46	3.81
Lee	21,329	3.25	9.55	22,440	3.27	5.21
Leflore	11,295	1.72	6.61	11,154	1.62	1.25
Lincoln	8,148	1.24	7.14	8,739	1.27	7.25

County	1981	% of State	% of Change	1982	% of State	% of Change
Lowndes	17,732	2.70	17.52	19,323	2.81	8.97
Madison	8,203	1.25	10.81	8,628	1.26	5.18
Marion	7,782	1.18	24.39	8,736	1.27	12.26
Marshall	3,669	0.56	11.69	3,827	0.56	4.31
Monroe	8,109	1.23	0.56	8,126	1.18	0.21
Montgomery	2,242	0.34	3.41	2,160	0.31	-3.66
Neshoba	4,289	0.65	8.14	4,602	0.67	7.30
Newton	2,990	0.46	3.39	3,047	0.44	1.91
Noxubee	1,820	0.28	4.36	1,903	0.28	4.56
Oktibbeha	7,365	1.12	12.07	7,289	1.06	-1.03
Panola	5,654	0.86	4.47	5,681	0.83	0.48
Pearl River	6,304	0.96	7.10	6,916	1.01	9.76
Perry	1,159	0.18	2.39	1,283	0.19	10.70
Pike	10,048	1.53	7.13	10,729	1.56	6.78
Pontotoc	2,689	0.41	1.28	2,867	0.42	6.62
Prentiss	3,916	0.60	3.05	4,078	0.59	4.14
Quitman	1,876	0.29	0.85	1,812	0.26	-3.41
Rankin	18,374	2.80	7.58	18,914	2.75	2.94
Scott	5,178	0.79	0.88	5,139	0.75	-0.75
Sharkey	1,701	0.26	12.28	1,611	0.23	-5.29
Simpson	4,630	0.70	2.68	4,851	0.71	4.78
Smith	1,688	0.26	2.80	1,687	0.25	-0.06
Stone	2,034	0.31	6.21	2,096	0.31	3.05
Sunflower	6,429	0.98	9.60	6,004	0.87	-6.61
Tallahatchie	2,374	0.36	8.30	2,376	0.35	0.08
Talia	3,181	0.48	2.81	3,258	0.47	2.42
Tippah	3,153	0.48	5.24	3,321	0.48	5.33
Tishomingo	5,091	0.78	-10.61	4,186	0.61	-17.78
Tunica	1,769	0.27	3.39	1,673	0.24	-5.43
Union	3,670	0.56	6.50	3,696	0.54	0.71
Walshall	2,130	0.32	-1.39	2,301	0.34	8.03
Warren	14,053	2.14	4.01	13,859	2.02	-1.38
Washington	18,576	2.83	4.18	18,616	2.71	0.22
Wayne	5,115	0.78	10.26	5,405	0.79	5.67
Webster	1,623	0.25	7.13	1,546	0.23	-4.74
Wilkinson	1,847	0.28	8.71	2,084	0.30	12.83
Winston	3,448	0.52	4.30	3,558	0.52	3.19
Yalobusha	2,167	0.33	12.45	2,168	0.32	0.05
Yazoo	6,562	1.00	3.05	7,167	1.04	9.22
State Total	656,775		-12.45	686,802		4.57



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The Devil's Advocate--A Useful Organizational Device

Randall M. Evanson, DBA

According to legend, the caliph Haroun al-Rashid, disguised as a beggar, mingled amongst his people to learn what they really were thinking and saying. The problem--missing, incomplete, distorted or inaccurate information reaching the top--is familiar to many executives. Information is essential to all managerial functions, yet filtered communications plague many organizations including most large ones. Techniques devised to cope with the problem--completed staff work, grievance procedures, suggestions systems, internal investigation system, open door policies--have proven a mixed bag in terms of success. It is useful to focus upon one promising device the ombudsman or devil's advocate, as a suggested solution to the communication filtering that so often leads to less-than-optimal decision, stifled motivation, and impediment to organizational effectiveness. This requires analysis of the causes of information distortion, review of some successful devices employed to circumvent the filtering process, and construction of a model with the characteristics common to these devices.

Nature of the Problem

Organizational size, complex technology and the far-flung effects of decisions combine to make the manager's job difficult and vulnerable to the effects of distorted data. While mechanical and electronic developments have aided managers of large enterprises, the size and complexity of bureaucracy complicate matters dependent upon human behavior, especially in two areas: administrative decisions and individual satisfaction. These managerial tasks--valid decisions with maximal certainty of outcome, and maintenance of an organization whose members' satisfaction enhances ef-

fectiveness and loyalty--depend upon comprehension, interpretation and expression, functions not translatable into numbers or reducible to mechanical processes. Success of the enterprise nonetheless is tied to the vertical and horizontal flow of qualitative as well as quantitative data.

Many factors contribute to communication breakdown: physical distance, job specialization, jargon, timing, structure, power and status relationships, information hoarding, the sheer volume of data in an era of information explosion, and poor feedback.

Excessive enthusiasm at the top.--A particularly insidious result of communication filtering is undeserved optimism in the upper echelons of organizations. Supervisors and middle managers tend to communicate up the ladder facts indicating satisfactory performance and progress by a hard-working, smoothly functioning team. Facts that are detrimental to the sender or likely to provoke pressure or frustration are suppressed. In ancient times messengers bearing bad news sometimes were put to death. Receipt of a critical letter once so outraged Ivan the Terrible that he pinned the messenger's foot to the floor with the sharp point of his staff.¹ Haroun al-Rashid, mentioned earlier, was accompanied on his incognito forays by an executioner ready to perform his duties if the caliph was displeased by what he heard.² Happily, executive displays of ire at disconcerting messages have been moderated since the days of the Romanovs and Abbasids, but the tendency still is to tell the boss what the boss wants to hear.³

Compounding this practice of painting a rosy picture for the boss is the not uncommon tendency of executives to allow enthusiasm and past success to swell their egos and create feelings of infallibility, hence to copy past decisions and tactics.⁴ This combination--

reports from subordinates whence caveats and problems are filtered out, enthusiasm and egoism, and repetition of previously successful actions--can be a fatal recipe. Some notable examples come to mind: sending Pershing's calvary to France to face trenches, barbed wire and machine-gun fire; Montgomery Ward's decision after World War II to hold off building new retail outlets until costs fell with the post-war depression that never came; Ford's production of the Edsel; Braniff's expansion of service to Europe and Asia with airline deregulation; Vatican investments in Banco Ambrosiano; and Argentine invasion of the Falklands. The price of unreined optimism, isolation from bad news, and freedom from criticism can be dear indeed. **Dissatisfaction in the ranks**--Formal organizations are beset with structural and procedural constraints, interpersonal competition and bureaucratic impersonalization. Anomie destroys loyalty, rivalry impedes collaboration, and mechanistic processes stifle creativity. An employee is unlikely to realize his potential or contribute the maximum if he sees the organization as unjust, unrewarding or uncaring. Such perceptions result when dissent is suppressed, suggestions are ignored or ridiculed, or silence is safer than calling attention to organizational dysfunction.

These symptoms of stifled upward communication may be accompanied by low status, restricted channels, and limited rewards for effective communication for lower-echelon employees.

Additionally, authority to intercept information, make judgments and shape decisions often is delegated to staff assistants and committees who exercise negative power over subordinate line managers by their placement in the channel of communication to the top. The process of collation, condensation and interpretation, however necessary, is a filtering system that threatens individuals' expression, sense of participation and responsibility, and right of appeal. A device is needed to bypass impediments to suggestions, criticism, and requests for clarification or review of judgements affecting employees' security, career, or sense of justice.

The Promoter of the Faith

It is in the Vatican that one finds the first formal application of the principle of antithetics--the devil's advocate device--as a check on excessive enthusiasm at the top and incomplete consolidation of data. The principles at the heart of the device--criticism, contradiction and attack on proposals to test their validity--are distinctive features of the model being constructed in this

paper. In the Roman Catholic church the device is the office of Promoter of the Faith (Promotor fidei).

The Promoter of the Faith, an official in the congregation of Rites, has the duty to examine scrupulously all evidence presented in the process of beatification and canonization, i.e., the steps toward proclamation of sainthood. His sole purpose is to check human error arising from unbound enthusiasm or incomplete facts. Although use of the device is first mentioned during the reign of Pope Leo X (1513-1521), the office of Promoter of the Faith was established formally by Pope Sixtus V in 1587. His assignment is to prepare in writing all possible arguments, even those of apparently slight importance, against anyone's elevation to the honors of the altar, an important matter involving the church's interest and honor. Every question raised must be answered before a case may proceed. Hence the official's popular name, "devil's advocate," for in trying to destroy evidence advanced in behalf of beatification or canonization, the Promoter of the Faith in effect acts as counsel for the antithesis of sanctification.⁵

Some characteristics of the Promoter of the Faith are central to the model. His duty is to attack arguments and premises advanced, not to weigh arguments for and against; hence, regardless of his personal convictions, he adopts a negativist view. The ultimate decision is not his, for he is not the executive. He is independent of the formal hierarchy; he does not have to appease or please administrators or staff officers. He has free rein to search for information within or outside of the organization and apply it with singular objectivity.

The most famous Promoter of the Faith was Prospero Lambertini, later to become Pope Benedict XIV, who held the office from 1708 to 1728. His four-volume *De servorum Dei Beatificatione et beatorum*, based largely on his experience in the office, contributed to refinement of the institution and helped earn him the label of founder of modern historical-juridical science. The combination of technical knowledge and intellectual ability is another characteristic of the Promoter of the Faith. Lambertini, for example, was both well versed in specialist knowledge--juridical, historical, philosophical, ecclesiastical--and known for his great intellect and knack for logical application and integration of knowledge.⁶

The success of the device perhaps was best demonstrated in 1969, when more than 200 previously canonized names including the popular Christopher, Valentine, Nicholas and George, of travellers' protection, love notes, Santa Claus and dragon-slaying fame, were expunged from the liturgy on the grounds that excessive enthusiasm and short-cuts centuries ago had led

to hasty canonization. All the questionable canonizations predated inception of the office of Promoter of the Faith.⁷

Winston Churchill's "Devil's Advocates"

The second example contributing to the model is Winston Churchill's use of antitheticians to rescue him from dependence upon often mediocre committee-generated completed staff work.⁸ Churchill employed a trio of advisers who were outside the formal bureaucracy: Sir Roy Forbes Harrod, Frederick A. Lindemann (Lord Cherwell), and Sir Donald MacDougall. Use of the first two dated from Churchill's days as First Lord of the Admiralty.⁹

Sir Roy Harrod, a brilliant Oxford economist, served as a full-time member of Churchill's staff until 1942 and in an advisory capacity for the duration of the war. Afterwards he served on many governmental and international boards and commissions, wrote more than a dozen books and many scholarly articles, and was president of a section of the British Association for the Advancement of Science and president of the Royal Economic Society.

Frederick Lindemann had gained fame during World War I by his daring aerial experiments testing his hypothesis on how to overcome the dangers of a spin. He was a Professor of Experimental Philosophy at Oxford at the time Churchill chose him to be a special adviser on the scientific aspects of warfare, especially air defense, and on all questions involving statistics.¹⁰

Sir Donald MacDougall, an economist, was employed for the express purpose of acting as a "devil's advocate" on all economic advice given the Prime Minister. It is said that his "great virtue was his eye for the quantitative importance of different things."¹¹

Sir Roy Harrod wrote that "Churchill wished...to have around him a band of critics, who, precisely because they were not fully merged into the general machinery of government, would give him an independent judgment on how things were going forward."¹² They had their own information sources, often disagree with the regular bureaucracy, and frequently prevailed.

Frederick Lindemann, drawing upon a "vast fund of knowledge in many fields," had a knack for quantifying alternatives. He gained a reputation for merciless criticism of others' ideas.¹³ His disagreements with Herbert Morrison and the Defense Committee were noteworthy. He prevailed over their plan to evacuate another million people from London, at huge cost and

difficulty, and was proven correct in his private analysis of German material, capacity and strategy.¹⁴

It was Lindemann's idea to scatter tinfoil strips (tuned dipoles) during bombing raids in order to confound German radar, a problem the bureaucracy had worked on for many months without success.¹⁵ It was he who uncovered British failure to use superior aluminized high explosives, as the Germans used, even after the aluminum shortage had eased; the result was substantial improvement in British explosives. Churchill later wrote: "This episode shows how useful it is in great organizations to have a roving eye."¹⁶

The features of Churchill's "roving eyes," or "irregulars" in Sir Roy Harrod's terminology, are essentially the same as those of the Promoter of the Faith: independence of the regular channels of authority and communication; a combination of intellectual acumen and abundant knowledge in a number of fields including economics, mathematics, physics, aeronautics, administration and the arts; the Prime Minister's confidence; and use of contradictory criticism, or antithetics, to test proposals and precedures.

The Scandinavian Ombudsman

The third example of successful circumvention of filtering of information is the ombudsman.¹⁷ This device originated in Sweden but has been adopted in recent times by Finland, Denmark, Norway and New Zealand.

The Swedish Constitution of 1809 created the Justitiesombudsman, an independent official empowered to impeach any minister upon instruction of the Constitution Committee. The office provided the Riksdag (Parliament) with control over the council of Ministers, a part of the Swedish system of checks and balances. The Justitiesombudsman watched over the judiciary on Parliament's behalf just as the Justitieskansler (Attorney General) had done on the King's behalf since 1713. The office was retained by the 1886 Parliamentary Reform act which empowered the ombudsman "to ensure that the law was obeyed by officials of the Crown and Judges" and gave him a deputy to check on observance of freedom of the press. The Justitiesombudsman is responsible only to Parliament. His jurisdiction extends to all appointed officials of the executive and judicial branches as well as to certain municipal authorities. The device's success led to creation in 1915 of a Militiesombudsman to perform similar watchdog duties over the military.¹⁸

The Swedish ombudsman is independent of the administrative hierarchy. He is free to investigate any complaint or decision within his jurisdiction or any law or proclamation at any level. Encountering malfeasance or inadequacy, he may prosecute the official or write an admonition after consulting with him. In one perhaps typical year, the Justitiesombudsman received 598 complaints, looked into 81 matters on his own initiative, reported 57 observations arising from routine inspections, and reported 24 matters brought to his attention by articles in the press. Thus the device has attributes of both an open door policy (between ombudsman and the citizenry) and an inspector-general system.¹⁹ Maintaining a small staff of but a few lawyers and typist has kept it from growing into a shadow hierarchy, which would erode its efficacy as a short-cut to internal communication.²⁰

Another feature is the outstanding respect the ombudsman enjoys, attributable in part to succession in the office of prominent men with great experience and judgment. It has been said that the office "has with time emerged as the most meaningful of the controlling organs of the parliament."²¹

In 1919 Finland adopted a similar arrangement. Unlike the Swedish prototype, the Finnish ombudsman is a political candidate elected by Parliament who reports to the Chancellor of Justice rather than to Parliament.²²

Denmark followed suit in 1953 with creation of the Folketingets Ombudsmand. The Constitutional Committee which studied the Swedish model and recommended its adoption specifically noted the effects of the growth of bureaucracy, one being that "in many instances the administrative authorities have been empowered to lay down rules of law..." The Danish ombudsman has jurisdiction over both civil and military administration but not the judiciary. Appointed by the Folketing (Parliament), he is an independent official free to investigate any complaint, serious or minor, or to take up cases on his own initiative. He may always state his views to the person concerned, thus giving him influence in matters where no legal action is taken. Civil servants have the option of demanding transfer of matters from the ombudsman to the grievance councils (the Danish equivalent of the British Whitley Councils), but it appears that they never do so.²³

The Folketingets Ombudsmand cannot overturn an administrative decision; he can but make recommendations. Tact is a hallmark of his office; change is wrought by persuasion rather than edict.²⁴ In most cases the ombudsman's recommendations are followed, and "the

reputation of government officials has risen because a bridge has been more securely built between them and the public."²⁵ Complaints come from both within and outside of the bureaucracy, and the ombudsman visits governmental offices, prisons, etc., providing direct channels of communication for everyone. Most complaints stem not from unreasonable decisions but from officials' failure to clarify the reasons for them. Only ten to fifteen percent of cases investigated result in criticism or recommendations, but a greater service was noted by Stephan Hurwitz, Denmark's first ombudsman, namely "the preventive influence exercised by the office on the administration."²⁶

As in Sweden, in Denmark the ombudsman's staff consists of but a few lawyers and secretaries; no parallel hierarchy of command has evolved. The characteristics are independent status, free rein to inquire into all kinds of matters, a modified combination of open door policy and inspector-general device, the great confidence of both Parliament and the citizenry, and the special legal training coupled with ability to make fair judgements, qualitative and quantitative, which has typified holders of the office. The initial appointee, Stephen Hurwitz, was an influential writer, prominent in public and cultural affairs, former leader of Danish emigres during the Nazi occupation, and Professor of Criminal Law at the University of Copenhagen.²⁷

Norway in 1952 created the Ombudsmann for Forsvaret (Defense ombudsman) to head a committee of five who consider complaints by military officers and conscripts. The Ombudsmannsnemnda for Forsvaret (Defense ombudsman's committee) functions much like the Swedish Militariesombudsman, with a variation; the four committee members serving under the ombudsman represent Norway's four major political parties. The ground rules are typical, nevertheless, to investigate matters by direct contact with the authorities and visits to military installations, etc. The initial success of the Ombudsmannsnemnda for Forsvaret led the Storting (Parliament) to create in 1963 a similar device, the Stortingets Ombudsmann, for civil administration. Like the military ombudsman, he has no authority to prosecute or discipline, and the Stortingets Ombudsmann may not intervene in affairs of local (fylke) government. The first appointee to the office was a prominent and esteemed figure, Andreas Schei, a justice of the Supreme Court.²⁸

In 1962 the device spread from Scandinavia to New Zealand with creation of the Parliamentary Commissioner for Investigation. The usual ombudsman features prevail: selection by Parliament, independence of the bureaucracy, freedom to investigate at all levels, and ap-

pointment of a respected figure, Sir Guy Powles, KBE, CMG, a lawyer and military officer who had served as High Commissioner of Western Samoa and High commissioner (ambassador) in India.²⁹

Success of the ombudsman device in the Finno-Scandic countries and New Zealand has led to numerous so-called ombudsman offices being installed in governmental and corporate organizations in America and elsewhere.³⁰ Often, however, these have not been true to the Scandinavian prototypes.

The ombudsman's advantages over other organizational devices are several. When grievances are involved, there is not likely to be protracted delay as in hierarchical systems such as Whitley Councils or many union-contracted systems in industry.³¹ The ombudsman is not a managerial tool to bolster employee relations, for he does not represent management; to the contrary, his recommendations for reversals of decisions or procedural changes constitute disagreement with the status quo. If he were perceived as just another management functionary, his impartiality would be questioned. The ombudsman's goals are justice and organizational optimization, not defense of managerial attitudes. His activities and availability are constant, not intermittent like those of an inspector-general. He is not restricted to after-the-fact recommendations; some investigations are self-initiated. The ombudsman device has advantages over the open door policy, which is time-consuming and often amounts to a confrontation between boss and employee, with defense mechanisms provoked by differences in status, power, self-expression and relative importance of the issue to the two parties. Finally, the antithetical nature of the ombudsman's duties frees him from organizational constraints that produce yes-man and excessive enthusiasm at the top. The office by definition demands that the ombudsman be critical, in other words that he play the role of devil's advocate. The parallels to the Promoter of the Faith and Churchill's "roving eyes" are apparent.

Discussion of the Model

Traditional line-staff relationships, rigid limitations imposed by status, and formal communication channels are circumvented by the direct, extra-hierarchical device suggested by the ecclesiastic, Churchillian and Scandinavian prototypes. This circumvention is contrary to principles expressed by some organization theorists. Chester Barnard, for example, while admitting the dangers of delay and distortion, writes that a communication should pass through every step of the line of authority,

be it upward or downward.³² Herbert Simon, however, criticizes Barnard on this point, saying that his "discussion of communications...suffers somewhat from his identification of communication channels with channels of authority."³³ Even Henri Fayol, proponent of the rigid scalar chain, recognizes the need for occasional circumvention of the ladder.³⁴ In any case, filtering of messages is the basis of the problem which the suggested devil's advocate model may alleviate; obviously it would be self-defeating to assign the antithetical tasks of scrutiny and criticism to the very system whose malfunctioning magnifies the problem.

Although the devil's advocate or ombudsman can help to thwart unwarranted optimism at the top and dissatisfaction in the ranks, it must be kept in mind that the device is essentially one of clearing communication channels and challenging ideas and practices of the formal hierarchy. The ombudsman must have the ear of the top administrator, such as an executive assistant. Lyndall Urwick likens the top executive's desk to a clearing house for communication, ninety per cent of which can be handled by his general staff assistant.³⁵ Dale and Urwick suggest that "...an even more important way in which the assistant-to can aid his chief in directing the enterprise is by acting as a challenge to the specialists."³⁶

Dale and Urwick stress the need for someone to raise "objections and counterarguments" and to anticipate causes of friction amongst organization members and to adjust their differences before, not after, orders are issued.³⁷ The devil's advocate can serve in this role, as shown by the prototypes: the Promoter of the Faith's duty to expose all possible objections because the Church's honor is at stake; Churchill's need to leave no objections unanswered before taking decisions involving national survival; and the ombudsman's criticism of rules and policies on behalf of organizational effectiveness and protection of individual rights.

Although an independent, roving critic with access to the chief executive may be unsettling to traditionalists, the fundamental essence of antithetics is neither novel nor rare. The problem lies in the tendency to confuse criticism of ideas with criticism of personalities, not with the worth of challenging proposals, policies or decisions. The antithetician's task is to simplify the executive's life, complicated as it is by a steady barrage of filtered messages from a variety of specialists.³⁸ Studies indicate that accomplishment of group goals may be facilitated when there is some disagreement amongst group members³⁹ and that this disagreement raises the scale judgment in decisions.⁴⁰ The value of questioning and challenging is reflected in

such institutions as Question Time in the House of Commons, debates between political candidates, the adversary theory of common law, and the vigorous give-and-take of many companies; management groups when they are at their creative best.

In summary, the dangers of excessive enthusiasm at high echelons and dissatisfaction at all levels, often resulting from communication filtering, can be reduced by employment of an antithetician or corporate devil's advocate. As suggested by the model, he should have independent status, direct contact with both information sources at all levels, and the top executive, conceptual as well as technical skills with a generalist bent, and the chief executive's confidence, allowing him, free of intimidation, to pry, suggest, attack and test. Such a device has served the Vatican, Britain's wartime leader, and the Scandinavian democracies with admirable success. Surely some other organizations, public and private, could benefit from its adoption.

FOOTNOTES

¹ Robert Payne and Nikita Romanoff, *Ivan the Terrible* (New York: Thomas Y. Crowell Co., 1975), p. 212.

² *Encyclopaedia Britannica, Macropaedia*, 15th ed., Vol. VIII (Chicago: Helen Hemingway Benton, Publisher, 1980), pp. 659-660.

³ Chris Argyris, *Personality and Organization: The Conflict between System and the Individual* (New York: Harper & Bros., 1957), pp. 74-75; Herbert A. Simon, *Administrative Behavior* (New York: The Macmillan Co., 1957), pp. 162-163; Herbert A. Simon, Donald W. Smithburg and Victor A. Thompson, *Public Administration* (New York: Albert A. Knopf, 1956), p. 236; Herbert G. Hicks and C. Ray Gullett, *Management, 4th ed.* (New York: McGraw-Hill, Inc., 1981), pp. 520-521; Robert J. Thierauf, Robert C. Klekamp and Daniel W. Geeding, *Management Principles and Practices* (New York: John Wiley & sons, 1977), pp. 534-535; Lee C. Thayer, *Administrative Communication* (Homewood, Ill.: Richard D. Irwin, Inc., 1961) pp. 159-160.

⁴ Ernest Dale, "The Case for a Devil's Advocate," *Think*, Vol. XXVI, No. 9 (Sept., 1960), pp. 24-25.

⁵ John P. O'Connell (ed.), *A Catholic Home Encyclopedia* (Chicago: The Catholic Press, Inc., 1954) p. 211; Charles G. Herbermann et al. (eds.), *The Catholic Encyclopedia* (New York: Robert Appleton Co., 1907, Vol. I, p. 168).

⁶ *Ibid.*; Giuseppe Pizzardo et al. (eds.), *Enciclopedia Cattolica* (Florence: L'Impronta S.p.A., 1949), Vol. IX, p. 1283.

⁷ "200 Catholic Saints Lose Their Feast Day," *New York Times* (May 10, 1969), pp. 1, 10; *Britannica Book of the Year 1979* (Chicago: William Benton, Publisher, 1970), p. 666.

⁸ Dale, loc. cit., p. 24.

⁹ Roy Forbes Harrod, *The Prof: A Personal Memoir of Lord Cherwell* (London: Macmillan & Co., Ltd., 1959), pp. 185-186.

¹⁰ Winston L. S. Churchill, *The Second World War*, Vol. I: *The Gathering Storm* (Boston: Houghton Mifflin Co., 1948), pp. 79-80.

¹¹ Ernest Dale and Lyndall Urwick, *Staff in Organization*, (New York: McGraw-Hill, Inc., 1960), p. 212.

¹² Harrod, op. cit., p. 187.

¹³ *Ibid.*, pp. 69-75, Churchill, op. cit., pp. 153-154, 234.

¹⁴ Churchill, op. cit., Vol. V: *Closing the Ring* (1951), pp. 231-232; *Ibid.*, Vol. VI: *Triumph and Tragedy* (1953), p. 50.

¹⁵ *Ibid.*, Vol. IV: *The Hinge of Fate*, (1950), pp. 287-289.

¹⁶ *Ibid.*, Vol. V: *Closing the Ring*, pp. 525-526.

¹⁷ The term varies in spelling but not in meaning. In Swedish the indefinite form is *ombudsman*, in Norwegian *ombudsmann*, and in Danish *ombudsmand*; the definite forms are *ombudsmannen* in Swedish and Norwegian, *ombudsmanden* in Danish. The various forms used in this text conform to their specific context. The Scandinavian terminology is used for clarity, inasmuch as translations into English vary considerable, e.g., "Public Affairs Commissioner," "Parliamentary Commissioner for Civil and Military Government Administration," "Parliamentary Commissioner for Judiciary and Civil Administration," "Parliament's Officer of Justice," "Grievance Commissioner," etc.

¹⁸ Walter Gellhorn, *Ombudsmen and Others: Citizens' Protectors in Nine Countries* (Cambridge, Mass.: Harvard Univ. Press, 1966), pp. 194-198, 231, 234-235; Douglas V. Verney, *Parliamentary Reform in Sweden, 1866-1921* (Oxford: Clarendon Press, 1957), pp. 4-6; Ministry for Foreign Affairs (Sweden), "Some notes on the Swedish institution of 'Justitiesombudsmannen,'" press release (Stockholm: Kongliga Utriksdepartementet, June 1, 1957), p. 1-2.

¹⁹ Ministry for Foreign Affairs, op. cit., pp. 2-3.

²⁰ *Ibid.*, p. 3; Hans Wallengren et al. (eds.) *Svensk Uppslagsbok* (Malmö: Handelsaktiebolaget Nordens Boktryckeri, 1937), Vol. XIV, p. 752.

²¹ Wallengren, et al., op. cit., pp. 757-758.

²² Gellhorn, op. cit., pp. 48-90, 424.

²³ Stephen Hurwitz, "Public Trust in Government Services," *Danish Foreign Office Journal*, No. 20 (Aug., 1956), pp. 11-12; Stephen Hurwitz, "Denmark's Parliamentary Commissioner for Civil and Military Government Administration," unpublished report (Copenhagen: mimeographed, 1960), pp. 1-3; Stephen Hurwitz, "The Folketingets Ombudsmand," *Parliamentary Affairs*, Vol. XII (1958-1959), pp. 202-204; Gellhorn, op. cit., pp. 5-47.

²⁴ Gellhorn, op. cit., pp. 17, 46.

²⁵ Dale, loc. cit.

²⁶ Hurwitz, "Denmark's Parliamentary Commissioner for Civil and Military Government Administration," pp. 8, 11-28.

²⁷ Gellhorn, op. cit., p. 5.

²⁸ Arnulf Sudmann et al. (eds.), *Norsk Allkunnebok*, Vol. IX, 12th ed. (Oslo: Fonna Forlag, 1959), p. 149; Gellhorn, op. cit., pp. 154-193; Norwegian Information Service, "Safeguarding Defense Moral," *News of Norway*, Vol. IX, No. 45 (Dec. 11, 1952), p. 178; Arthur Holmesland, Alf Sommerfelt and Leif Stormer (eds.), *Aschehougs Konversations Leksikon*, Vol. XIV, 4th ed. (Oslo: Det Mallingske Boktrykkeri, 1959), pp. 571-572.

²⁹ Gellhorn, op. cit., pp. 91-153.

³⁰ E.g., the cities of Dayton and Seattle and several cities in Israel. Special-purpose ombudsmen also have been appointed, for example, to monitor police activities in Israel and to monitor the medical treatment of prisoners in Minnesota, Connecticut, Michigan, and Kansas. *Encyclopaedia Britannica, Macropaedia*, Vol. VII, p. 530.

³¹ Isidore Silver, "The Corporate Ombudsman," *Harvard Business Review*, Vol. XLV, No. 3 (May-June, 1967), pp. 80-81.

³² Chester I. Barnard, *The Functions of the Executive* (Cambridge, Mass.: Harvard Univ. Press, 1951), pp. 36, 176-178.

³³ Simon, op. cit. p. 155.

³⁴ Henri Fayol, *General and Industrial Management*, trans. Constance Storrs (London: Sir Isaac Pitman & Sons, Ltd., 1949), p. 35.

³⁵ Lyndall F. Urwick, "Public Administration and Business Management," *Public Administration Review*, Vol. XVII, No. 2 (Spring, 1957), pp. 80-81.

³⁶ Dale and Urwick, op. cit., p. 211.

" Ibid., pp. 95, 211.

" Frank C. Porter, "Snow Your Staff with Antithetics," *The Washington Post* (Dec. 29, 1960), p. A-18.

" Yrjo Littunen, "Deviance and Passivity in Radio Listener Groups," *Acta Sociologica*, Vol. IV, No. 3 (Feb., 1960), pp. 17-26.

" E. Paul Torrance, "Function of Expressed Disagreement in Small Group Processes," in Albert H. Rubenstein and Chadwick J. Haberstroh (eds.), *Some Theories of Organization* (Homewood, Ill.: Richard D. Irwin, Inc., 1960), pp. 251-255; Don Hellriegel and John W. Slocum, Jr., *Organizational Behavior*, 2nd ed. (St. Paul: West Publishing Co., 1979), p. 526; Stuart M. Klein and R. Richard Ritti, *Understanding Organizational Behavior* (Boston: Kent Publishing Co., 1980), p. 194. Cf. Barry E. Collins and Harold Guetzkow, *A Social Psychology of Group Processes for Decision-Making* (New York: John Wiley & Sons, 1964), pp. 166-187.

Tourist Briefs

Petrified Forest Flora, Mississippi



it all began about 36 to 38 million years ago, when stone logs came to Mississippi by a mighty prehistoric river. They were giant trees that had come down from the north and in the process lost limbs, roots and bark. These trees were possibly 1,000 years old when some natural force had uprooted them and sent them on their destination to the south. After coming to a final stop, the trees sank into the watery ooze and became covered with thick layers of sand.

Today these layers of sand are known as the "Forest Hill" formation. It was in this layer that the change from wood to stone occurred. As the land changed around them so did the trees, adding layers of mineral and quartz to create nature's colors.

It was thousands of years before anyone was aware of these formations and several more years before anyone saw the need to protect them from man and also from nature.

The only Petrified Forest in the eastern part of the United States, it is a registered natural landmark by the National Park Service. It is cared for by that agency and Alan Schabillon, who first saw the need for the forest preservation.

Located in Flora, Mississippi, the Forest is off Highway 55 and is also just a few miles from Jackson.

NEW AND EXPANDED INDUSTRY

Town	Firm	Product	No. of Employees
NEW			
Canton	Interstate Pallet Co.	Wooden Shipping Pallets	8
Cross Roads	Cross Country Manufacturing Co.	Men's Shirts	15
Dekalb	Dekalb Manufacturing Co., Inc.	Contract Sewing, Apparel	100
Eupora	Joyner Silver & Electroplating Co.	Metal Products	175
EXPANDED			
Holly Springs	Wenco, Inc., of Mississippi	Windows	85
Houston	Seminole Manufacturing Co.	Men's and Boy's Slacks	40

Future Choices For Bankers

Keynote Address to Mississippi Young Bankers Convention Biloxi, Mississippi

By

Lawrence K. Roos

Retired President, Federal Reserve Bank of St. Louis

I am pleased to be the keynote speaker at this, the 1983 Conference and Convention of the Mississippi Young Bankers Association. Having reached retirement age and having just been awarded my very own Medicare Card, I am particularly gratified to have the opportunity to address this audience of young bankers, so many of whom are in the early stages of their careers.

I have been asked to discuss the future of banking and how bankers can best adapt to what may well be the most far-reaching changes ever to confront the banking industry. Frankly, I am always amazed when I think back on how much banking has changed since I was the chief executive of a bank in St. Louis in the early 1950s. In those days, believe it or not, we were able to attract the deposits we needed by paying a "generous" 1 percent on passbook savings. And interest on demand deposits was simply unthinkable. If anyone tried to locate a new bank in our trade area, the existing bankers would band together and were usually successful in fending off the threat of new competition. The Federal Reserve System and our correspondents provided most of the services we needed at no cost to us. And with low and stable interest rates, we didn't have to worry about matching our asset and liability maturities. In short, a banker's life was pleasant and simple, and we were able to spend much of our time lowering our golf handicaps.

This "Shangri-la" I have just described no longer exists. Today banking is a fiercely competitive industry. Bankers face competition from many sources: other

banks, thrift institutions, securities houses, retailers...it seems as though suddenly everyone wants to get into the act. What is more disturbing, is that up to now banking has been losing out in the competition.

This is dramatically reflected in a few simple statistics. Ten years ago, nearly one-half of all loans made by financial institutions were made by banks; today, banking's share is only one-third. Ten years ago, banks provided more than 40 percent of all loans made to non-financial borrowers; today, they provide only 25 percent.

Furthermore, the public is becoming less prone to holding deposits at banks. In 1945, U.S. households held 35 percent of their financial assets as deposits at commercial banks; today, this has dropped to slightly more than 20 percent. In the past 10 years, the liabilities of **non-bank** financial institutions have grown at a rate double that of banks. In 1981, liabilities of money market funds alone increased by more than did the net liabilities of all commercial banks.

Finally, banks are losing their market share at an ever-increasing rate. This is dramatically reflected in a steady decline in the rate of growth of U.S. commercial banks' total deposits. Total bank deposits grew about 11 percent per year from 1970 to 1975; growth then slowed to less than 10 percent per year from 1975 to 1980. In 1981, total deposits grew only slightly more than 6 percent and, if adjusted for inflation, actually declined.

The bottom line is simply that commercial banking is slipping behind--farther and farther behind--other financial institutions.

What is responsible for this trend? As I see it, there are three principal factors involved: technological change, high interest rates, and regulations which impede the ability of banks to compete with less regulated competitors.

The impact of technology is well known to you all. Advances in computer and communications technology have had a dramatic effect on the market place. The declining cost of computer operations and the increasing speed and scope of data processing capability have brought about great changes in the financial services offered to consumers. At very low cost, computers can instantly pick one customer's account from among millions and alter it to reflect a single transaction. Through a toll-free 800 telephone number, financial transactions can be efficiently conducted from distant points throughout the world. The wedding of computer and communications technology has made possible the introduction of new financial services by all sorts of new competitors. And there is nothing you can do, even if you so wished, to turn back the clock on the technological revolution.

If technological advances have made financial innovation feasible, high interest rates have created the economic incentive to make maximum use of these innovations. How could you expect a depositor to be content to earn 5-1/4% on passbook savings when, with very little effort, that return could be doubled by investing in a money market mutual fund? Who in their right mind would settle for a non-earning checking account when NOWs and other high-yielding savings instruments are readily available? Even if they had been technologically feasible, these innovations would not have been profitable in the 1950s and 1960s when interest rates were so much lower than they have been in recent years. And, unless interest rates return to their former low levels, bankers will be forced to continue paying high rates for their sources of loanable funds.

Which brings us to the third factor adversely affecting banking in this new competitive environment. I refer to the host of regulations that, through the years, have been thrust on banks, sometimes at their own urging, sometimes at the urging of competitors. Banking must surely be the most thoroughly regulated industry in this nation. The National Banking Act of 1863 was the first of a long series of banking regulations. More familiar are regulatory products of this century: The Federal Reserve Act, the McFadden Act, Glass-Steagall,

the Bank Holding Company Act, and on and on. Since the mid-sixties, Congress has saddled banking with at least one major new regulatory law each session. Just to name a few, these include: the Housing and Urban Development Act, Truth-in-Lending Act, Bank Protection Act, Currency and Foreign Transactions Reporting Act, Fair Credit Reporting Act, Interest Rate Control Act, Fair Credit Billing Act, Equal Credit Opportunity Act, Real Estate Settlement Procedures Act, Home Mortgage Disclosure Act, Consumer Leasing Act, Fair Debt Collection Act, Community Reinvestment Act, International Banking Act, Financial Institutions Regulatory and Interest Rate Control Act, the Depository Institutions Deregulation Act, and Monetary Control Act of 1980 and, most recently, the Garn-St. Germain Act of 1982.

I think that it is accurate to say that banking is the only industry in which regulators still determine who can enter the business, where they can locate, what services they can offer, and what prices they can charge. Some of the most recent banking regulations even attempt to determine to whom you should lend and what signs you should hang in your bank lobby.

As is usually the case, most of these regulations were enacted with the best of intentions. They were intended to build walls: walls to protect banks from other banks, walls to protect bank customers from bank failures, wall to protect society from "credit crunches"; and walls to limit competition between various financial institutions. And, indeed, these regulations did, at first, build protective walls around banks and banking markets. But in the long run, they totally frustrated the ability of banks to innovate as their unregulated competitors had.

Today, however, the protection these walls formerly provided is gone, not because banks have been successful in breaking out, but instead because other institutions have successfully broken in--into your markets, into your services, and into your profits. Non-bank financial institutions, most of which are not subject to the extensive regulations affecting banks, are offering bank customers a wide variety of services that previously only banks could provide. They are also providing services that banks are prevented, by law, from offering. Sears, Merrill Lynch, American Express, and, believe it or not, even the Parker Pen Company, are now in the banking business--and they are free to provide services that you, by regulations, cannot offer, in places that you, by regulation, cannot go, at prices that you, by regulation, cannot pay or charge.

The problem facing bankers is simply that, despite

what you may have read or heard or believe, whether you wish it or not, deregulation of financial markets is not the wave of the **future**—it is the wave of the **present**. Deregulation by innovation is a fact of life. Deregulation by legislation has begun and will proceed at a rapid pace. Whether you like it or not, within the next few years wide-sweeping deregulatory legislation will have eliminated most of the remaining legal limitations on financial activities. Restrictions on branching will cease to exist, interstate financial commerce will become commonplace, and financial and non-financial industries will be in direct competition with each other.

What choices do you as bankers have in this evolving environment? Some bankers seem to believe that salvation can be found by choosing what I would call a "Magenot Line" strategy. They seem willing to tolerate their existing regulatory burden in the hope that they can extend those regulations to other financial institutions. These bankers lean toward re-regulation. I don't consider this a viable option, for I am convinced that attempts at re-regulation will fail just as surely as the Magenot Line failed. The "blitzkrieg" of financial innovations and marketing ingenuity have already made that strategy obsolete. New regulations imply will not keep pace with innovations, and bankers will continue to lose out to new competitors.

Other bankers who have more confidence in themselves and, perhaps, a clearer vision of reality, will recognize the fundamental changes that are occurring and support deregulation of all financial institutions. In my opinion, this is the only strategy that will succeed. Only by permanently removing the regulatory walls that are now walling bankers out of the financial arenas can the banking industry remain a sizable and significant part of this nation's financial system.

There is, of course, a third possibility—that the banking industry will end up doing nothing about the situation. Like the proverbial donkey that starved to death because it couldn't decide which bale of hay to eat, it is conceivable that bankers, if unable to reach a consensus on re-regulation or deregulation, might simply opt for piecemeal changes in current laws, and hope that "it will all go away." I regret to say "it will **not** go away!"

These then are the three choices you have. You can continue to argue among yourselves, community bank vs. city bank, small bank vs. large bank, in-state bank vs. out-of-state bank—and do nothing. While the battle goes on over which bank owns the henhouse, the chickens and the eggs will probably have been stolen by your unregulated competitors. Or you can try to live with existing regulations and attempt to devise new ones

to wall in your competitors. However, I predict that you will find that these new walls will extend **into** your markets and will merely encourage new innovations and new innovators. Or, you can push for deregulation of all financial activities, which will enable you to compete head-on with your adversaries on a truly level playing field.

You may not like these choices, but they are the only ones you have. Technological change is here to stay; interest rates will not soon return to the levels of 20 years ago, deregulation by innovation and by legislation will continue.

If you accept this challenge, and I believe this is your most feasible course of action, you will have to devote more resources to planning, marketing, employee training and cost control. Planning must fill the gap left by deregulation. It must help you decide which combination of financial products and services to sell; how to price those products and services; and where to offer them for sale. This is a tall order. Even the most imaginative among you cannot expect to put the perfect plan down on paper on your first try. And the best of plans will have to be revised periodically to match the pace of financial innovation and deregulation.

Implementing your plans will require an increased emphasis on both marketing and employee training. Your customers and your employees are in somewhat of a similar situation. Both find themselves in a world of new financial services, products and institutions. Your marketing effort must inform your customers that you have something to offer that your competitors do not. Your advantage may be unique products or merely better quality services. Your employees must be trained and motivated to promote your products and services. For despite the new, impersonal electronic technology, your bank will ultimately be judged by the enthusiasm and commitment of your staff.

Finally, cost control is essential for sustained profitability and growth. The days are over when you could tolerate high costs for customer services, secure in the knowledge that you could get away with paying minimal interest on deposits. Henceforth, you will be paying market interest rates for deposits. In this high-cost environment each service you offer, every convenience, every "bricks-and-mortar" banking facility, must pay its own way. Those that do not must be discarded.

One final bit of advice. I urge you in the years ahead, to resist simple and seemingly sure-fire gimmicks. Avoid the herd instinct that has led banks into trouble in the past. Don't fall for passing fads such as loans on oil tankers, REITs, unresearched credits to sovereign nations, and blind purchases of loans to oil ex-

ploration firms, to name a few prominent examples of past mistakes. Such fads, although seeming to offer a "fast-buck", have been unmitigated disasters for many banks, and the fads of the future will be no different. No matter how much the services and technology of banking change, the fundamental business of banking will remain the evaluation of credit risk. Stick to your business, and leave the gimmicks to others.

I realize that I have painted a pretty grim scenario. I have done so purposely, because I do not think that anything is ever accomplished by wishful thinking.

On the other hand, the history of commercial banking in the United States is impressive. Banks and bankers have always been in the forefront of what is still the strongest economic system in the world. This impressive record could not have been achieved without foresight, the capacity to make decisions realistically and an ability to adapt to new conditions when they occur.

Nothing in this world is static. Circumstances constantly change. In one generation we have seen the transition from the horseless carriage to the automobile; we have witnessed the emergence of nuclear fission; we have observed repeated evidence of man's ability to survive and progress in spite of changing circumstances.

I have full confidence that commercial bankers have little to fear from the competition that lies ahead. You possess the resources, the marketing ability and the competitive capacity to prevail if you will only assess the situation with the same realism that characterizes the conduct of your daily business. Knowing you as I do, I have little doubt that you will respond to the challenge and continue to contribute mightily to the future growth and prosperity of this great nation.



Sales Indicated By Sales Tax Collections During February, 1983 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,250	30,007	Lowndes	1,434	35,963
Alcorn	673	17,761	Madison	770	24,634
Amite	123	2,938	Marion	576	13,162
Attala	292	7,440	Marshall	297	6,723
Benton	46	1,055	Monroe	655	17,838
Bolivar	708	16,902	Montgomery	189	4,472
Calhoun	209	5,123	Neshoba	373	9,710
Carroll	70	1,585	Newton	259	6,151
Chickasaw	246	5,941	Noxubee	129	3,384
Choctaw	78	1,703			
Claiborne	306	16,925	Oktibbeha	640	14,598
Clarke	163	4,075			
Clay	297	9,028	Panola	454	11,251
Coahoma	652	16,483	Pearl River	533	12,099
Copiah	351	8,122	Perry	99	2,219
Covington	372	8,432	Pike	915	21,032
			Pontotoc	218	5,251
DeSoto	673	16,383	Prentiss	317	8,101
Forrest	1,999	56,523	Quitman	123	2,696
Franklin	89	2,246	Rankin	1,484	44,440
George	194	4,391	Scott	385	9,515
Greene	72	1,512	Sharkey	132	3,371
Grenada	478	12,502	Simpson	377	9,185
			Smith	113	2,689
Hancock	473	11,807	Stone	154	3,600
Harrison	3,532	89,679	Sunflower	500	13,320
Hinds	7,976	231,491			
Holmes	295	7,201	Tallahatchie	187	4,699
Humphreys	193	5,093	Tate	279	6,671
			Tippah	275	9,045
Issaquena	10	306	Tishomingo	236	6,024
Itawamba	267	7,469	Tunica	119	2,792
Jackson	2,644	94,971	Union	300	8,118
Jasper	250	5,791			
Jefferson	66	1,467	Waithall	151	3,294
Jeff Davis	169	3,873	Warren	1,058	24,568
Jones	1,873	43,796	Washington	1,496	37,486
			Wayne	352	8,086
Kemper	77	1,647	Webster	117	2,745
			Wilkinson	158	4,234
Lafayette	559	13,027	Winston	271	6,195
Lamar	288	7,684			
Lauderdale	1,939	51,759	Yalobusha	163	3,673
Lawrence	137	3,045	Yazoo	442	14,818
Leake	225	5,260			
Lee	1,921	60,502			
Leflore	906	25,157			
Lincoln	746	18,769	State Total	53,751	1,478,351

Active Establishments During the Fourth Quarter, 1980, and Business Births and Deaths by Industry Group, 1981

INDUSTRY DIVISION	ACTIVE ESTABLISHMENTS FOURTH QUARTER 1980	1981		
		BIRTHS	DEATHS	NET GAIN OR LOSS
TOTAL	48,177	4,867	4,857	+ 10
Agr., For., Fisheries	1,326	136	93	+ 43
01 Agr. Production Crops	485	43	23	+ 20
02 Agr. Prod. Livestock	61	9	6	+ 3
07 Agr. Services	587	67	50	+ 17
08 Forestry	126	9	9	-
09 Fishing Hunting Trap	67	8	5	+ 3
Mining	529	124	46	+ 78
11 Anthracite Mining	1			
13 Oil, Gas Extraction	467	117	39	+ 78
14 Nonmetal Min. Ex. Fuel	61	7	7	-
Contract Construction	4,901	665	876	- 211
15 Gen. Bldg. Contr.	1,675	243	381	- 138
16 Heavy Const. Contr.	764	88	104	- 16
17 Sp. Trade Contr.	2,462	334	391	- 57
Manufacturing	3,314	229	317	- 88
20 Food, Kindred Prod.	353	8	12	- 4
22 Textile Mill. Prod.	29	1	1	-
23 Apparel, Other Tex.	255	8	17	- 9
24 Lumber & Wood Prod.	993	82	146	- 64
25 Furniture, Fixtures	175	19	20	- 1
26 Paper, Allied Prod.	51	3	4	- 1
27 Print., Publishing	292	19	16	+ 3
28 Chemicals, Etc.	84	4	4	-
29 Petrol., Coal Prod.	27	2	2	-
30 Rubber & Plastics	88	3	4	- 1
31 Leather Products	13	1	1	-
32 Stone, Clay, Glass	193	5	17	- 12
33 Primary Metal Ind.	36	1		+ 1
34 Fab. Metal Products	219	16	23	- 7
35 Machinery, Ex. Elec.	216	24	18	+ 6
36 Elec. Equip., Suppl.	91	12	8	+ 4
37 Transp. Equipment	102	16	15	+ 1
38 Instr. & Rel. Prod.	37	2	4	- 2
39 Misc. Mfg. Indus.	60	3	5	- 2
Trans., Comm., Etc.	2,312	219	216	+ 1
40 Railroad Trans.	1			
41 Local Pass. Trans.	106	10	11	- 1
42 Trucking, Warehsg.	1,063	150	166	- 16
44 Water Transp.	113	11	12	- 1
45 Transp. by Air	59	11	13	- 2
46 Pipe Line Transp.	13			
47 Transportation Ser.	81	10	5	+ 5
48 Communication	321	14	3	+ 11
49 Elec., Gas, San. Ser.	555	13	8	+ 5
Wholesale Trade	4,411	350	321	+ 29
50 Whisle Trade Durable	2,477	200	209	- 9
51 Whisle Trade Nondur	1,934	150	112	+ 38
Retail Trade	13,771	1,180	1,488	- 308
52 Bldg. Materials Hdwe	873	58	61	- 3
53 Retail Gnrl. Mdse.	715	10	33	- 23
54 Food Stores	2,137	205	206	- 1
55 Auto Dirs., Ser. Sta.	2,652	187	322	- 135
56 Apparel, Access.	1,342	97	135	- 38
57 Furn., Home Furn.	1,005	81	134	- 53
58 Eat., Drink. Places	2,288	326	387	- 61
59 Misc. Retail Stores	2,759	216	210	+ 6

Active Establishments During the Fourth Quarter, 1980, and Business Births and Deaths by Industry Group, 1981

INDUSTRY DIVISION	ACTIVE ESTABLISHMENTS FOURTH QUARTER 1980	1981		
		BIRTHS	DEATHS	NET GAIN OR LOSS
Fin., Ins., Real Est.	3,802	314	275	+ 39
90 Banking	275		1	- 1
61 Credit Agencies	805	21	27	- 6
62 Sec. Commodity Br.	115	29	19	+ 10
63 Insurance Carriers	353	12	10	+ 2
64 Ins. Agts., Br.	958	86	66	+ 20
65 Real Estate	1,172	150	144	+ 6
66 Comb. Real Est., Ins.	41	3	2	+ 1
67 Holding, Other Inv.	83	13	6	+ 7
Services	12,895	1,601	1,200	+ 401
70 Hotels, Other Lodg.	377	12	24	- 12
72 Personal Services	1,483	110	150	- 40
73 Misc. Business Ser.	1,365	233	148	+ 85
75 Auto Repair, Garages	1,063	131	141	- 10
76 Misc. Repair Ser.	612	77	79	- 2
78 Motion Pictures	89	8	11	- 3
79 Amusement, Ser.	445	48	36	+ 12
80 Med. Health Ser.	2,603	249	104	+ 145
81 Legal Ser.	1,049	113	82	+ 31
82 Educational Ser.	595	18	74	- 56
83 Social Service	761	61	44	+ 17
84 Museums, Gardens	3			
86 Nonprofit Mbsh.	566	29	35	- 6
88 Private Households	1,032	420	221	+ 199
89 Misc. Services	852	92	51	+ 41
Public Administration	882	23	15	+ 8
91 Exec., Legis. Gen.	571	9	6	+ 3
92 Justice Public Order	58	5	4	+ 1
93 Finance, Taxes Mon Pol	7	4	2	+ 2
94 Adm. of Human Resource	35	2	1	+ 1
95 Envir. Quality Housing	85	1	2	- 1
96 Adm. of Economic Prog.	116	2		+ 2
97 Nat. Security & Inter.	10			
Nonclassifiable	34	26	8	+ 18
99 Not Classified	34	26	8	+ 18

INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS [Seasonally Adjusted] 1969 = 100

Indicator	February 1983	January 1983	February 1982
Retail Sales	159.2	162.0	162.6
Electric Sales	196.4	193.6	188.3
Gasoline Gallonage	128.5	123.5	100.5
Loans of Savings & Loans Institutions	52.7	17.3	75.1

Food Stamp Participation By County, February, 1983

SOURCE: State Welfare Department

County	Number of Households ² (Average Allotment \$132.24)	Number of Persons ³ (Average Allotment \$43.02)	Coupon Value ⁴ (Average Per Meal \$.48)	County	Number of Households ² (Average Allotment \$132.24)	Number of Persons ³ (Average Allotment \$43.02)	Coupon Value ⁴ (Average Per Meal \$.48)
Adams	2,884	8,423	374,115	Lefflore	3,180	11,653	487,176
Alcorn	2,247	5,918	252,767	Lincoln	2,100	6,328	269,736
Amite	942	3,283	126,716	Lowndes	2,663	8,881	390,466
Attala	1,707	5,312	213,295	Madison	3,739	13,281	586,032
Benton	835	2,917	123,118	Marion	1,774	5,737	253,408
Bolivar, E	3,077	11,418	485,624	Marshall	3,326	11,762	498,746
Bolivar, W	1,097	4,693	201,235	Monroe	1,865	5,853	244,188
Calhoun	1,050	3,079	119,303	Montgomery	1,469	4,083	162,284
Carroll	843	2,571	101,063	Neshoba	1,584	4,757	183,194
Chickasaw, E	389	1,142	41,656	Newton	1,222	3,562	138,547
Chickasaw, W	722	2,178	82,093	Noxubee	1,641	5,667	236,934
Choctaw	788	2,307	94,223	Oktibbeha	1,986	5,980	268,417
Claiborne	1,317	4,125	188,603	Panola	2,541	9,344	378,336
Clark	1,318	3,768	144,801	Pearl River	2,088	6,159	277,625
Clay	1,658	5,330	228,068	Perry	1,176	3,476	148,992
Coahoma	3,775	13,698	588,055	Pike	2,544	7,879	346,697
Copiah	2,117	6,530	283,852	Pontotoc	1,219	3,186	121,780
Covington	1,304	4,189	170,119	Prentiss	1,365	3,804	150,755
DeSoto	2,182	7,730	314,933	Quitman	1,352	5,137	211,613
Forrest	4,394	12,118	542,303	Rankin	2,353	7,317	298,981
Franklin	938	2,604	114,190	Scott	1,531	4,695	185,386
George	1,146	3,511	160,112	Sharon	1,065	4,304	183,867
Greene	1,056	3,289	146,734	Simpson	1,447	4,377	183,599
Grenada	1,247	4,042	169,571	Smith	841	2,573	98,780
Hancock	1,795	5,158	247,818	Stone	643	2,161	91,122
Harrison	6,357	19,999	911,677	Sunflower	2,872	11,446	475,334
Hinds	14,660	44,044	2,048,979	Tallahatchie	1,911	7,482	303,040
Holmes	3,525	11,567	520,758	Tate	1,708	5,348	219,331
Humphreys	1,117	4,494	193,421	Tippah	1,478	4,298	169,109
Issaquena	273	1,053	45,881	Tishomingo	1,058	2,612	105,674
Itawamba	876	2,301	88,486	Tunica	1,448	5,318	225,061
Jackson	5,604	17,993	910,465	Union	1,254	3,568	137,338
Jasper	1,228	4,023	158,736	Walthall	1,191	3,942	164,284
Jefferson	1,003	3,350	128,408	Warren	3,168	9,491	430,671
Jeff Davis	1,283	4,092	167,169	Washington	6,362	22,559	999,584
Jones	2,791	7,972	320,987	Wayne	1,845	5,618	243,241
Kemper	766	2,619	98,920	Webster	802	2,196	90,637
Lafayette	1,194	3,556	139,095	Wilkinson	1,147	3,511	139,650
Lamar	1,557	4,640	200,356	Winston	2,000	6,114	253,413
Lauderdale	3,659	11,021	483,621	Yalobusha	1,100	3,248	131,841
Lawrence	906	2,660	107,511	Yazoo	2,882	9,573	414,928
Leake	1,898	5,581	231,390				
Lee	2,159	5,838	254,247	State Total	170,682	544,470	23,424,271

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person (\$43.02) by total number of average meals a month (90)

STATE ECONOMIC INDICATORS

Indicator	February 1983 ¹	January 1983 ¹	February 1982 ¹	Per Cent One Month Ago ¹	Change One Year Ago ¹
EMPLOYMENT, EARNINGS AND HOURS*					
Total Employment	912,800	906,200	924,600	0.7	1.3
Non-Ag Employment	779,900	779,700	792,700	0.2	-12.8
Mining	11,200	11,500	13,600	-0.3	-2.4
Contract Construction	38,500	38,700	39,100	-0.2	-0.6
Manufacturing	195,200	195,600	205,900	-0.4	-10.7
Transportation and Public Utilities	38,400	39,000	39,200	-0.6	-0.8
Wholesale and Retail Trade	158,600	160,100	157,400	-1.5	1.2
Finance, Insurance and Real Estate	32,800	32,800	32,500	-0—	0.3
Service	123,300	122,600	120,800	0.7	2.5
Government	182,000	179,500	184,200	2.5	-2.2
Unemployment Rate (Per Cent Labor Force)	11.7	11.5	10.3	—	—
Average Weekly Earnings in Manufacturing (Dollars)	257.01	256.62	247.16	0.2	4.0
Average Hourly Earnings in Manufacturing (Dollars)	6.59	6.58	6.37	0.2	3.5
Average Weekly Hours in Manufacturing	39.0	39.0	38.8	-0—	0.5
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ²	2,774	2,675	2,927	3.7	-5.2
Gasoline Delivered to Dealers (gals.) ²	98,230	105,450	79,308	-6.8	2.4
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ³	7,500	2,483	10,231	2.02	-26.7
Construction Loans	3,700	22,215	600	-83.3	516.7
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁴	1,697,280	1,726,059	1,642,364	-0.2	-3.2
RETAIL SALES (000's)⁵					
	1,161,114	1,535,910	1,134,558	-24.4	2.3
Indicator	November 1982	October 1982	November 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)⁶					
Total Cash Receipts from Farm Marketings	455,633	340,731	419,520	33.7	8.6
Cash Receipts from Marketing Livestock	67,595	60,120	68,168	12.4	-0.8
Cash Receipts from Marketing Crops	388,038	280,611	351,352	38.3	10.4

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for October

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock-Total for number of condominiums and 1-4 family homes

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹Mississippi Tax Commission

¹⁰U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month February	PerCent Month Ago	Change Year Ago	Current Month February	Month Ago	Year Ago
Aberdeen	37,586	-3.1	-5.7	204,650	322,700	17,700
Baldwyn	18,927	-22.1	16.5	---	---	---
Batesville	46,123	-51.3	18.9	125,000	18,500	40,615
Bay Springs	18,715	-11.7	-3.1	---	---	---
Bay St. Louis	34,912	-20.3	38.4	---	---	---
Belmont	9,037	-54.6	16.9	---	---	---
Belzoni	20,504	-33.3	-5.7	39,300	8,000	31,000
Biloxi	224,359	-32.6	25.8	1,348,110	965,000	1,598,455
Brandon	36,691	-25.0	23.1	---	---	---
Brookhaven	104,128	-26.0	19.0	---	---	---
Brooksville	2,174	-15.2	1.4	---	---	---
Canton	55,659	-18.3	25.2	---	---	---
Carthage	33,032	-42.5	-11.8	36,500	44,750	130,900
Charleston	15,492	-7.4	20.8	---	---	---
Clarksdale	104,493	-33.2	9.6	140,400	127,232	143,956
Cleveland	80,304	-32.8	29.5	---	---	---
Collins	22,617	-17.8	-26.7	---	---	---
Columbia	78,602	-40.7	-0.2	---	---	---
Columbus	202,602	-30.6	16.9	1,659,321	193,700	134,430
Corinth	101,565	-25.9	8.3	79,700	---	---
Crystal Springs	28,425	27.1	62.9	18,000	38,500	2,000
Drew	9,019	-16.5	19.4	1,000	---	1,000
Edwards	2,786	-28.5	13.8	20,000	---	---
Ellisville	14,606	-13.0	10.3	---	---	---
Eupora	14,926	-25.8	7.6	---	---	---
Fayette	9,317	-11.9	12.9	---	---	---
Forest	43,140	-25.2	12.3	8,600	---	---
Greenville	218,866	-32.0	10.8	---	---	---
Greenwood	126,017	-36.8	29.3	102,000	101,000	212,500
Grenada	73,554	-24.9	21.1	91,000	37,000	99,000
Gulfport	231,640	-36.6	13.0	442,530	894,799	794,964
Hattiesburg	332,000	-30.1	21.1	905,679	474,520	890,276
Hernando	19,604	-14.6	3.1	553,500	41,000	522,598
Hollandale	11,876	-15.0	36.4	---	---	---
Holly Springs	33,435	-29.5	5.6	28,400	---	18,900
Houston	27,731	-68.6	23.5	102,156	64,900	4,500
Indianola	56,022	-22.6	6.6	---	---	---
Iuka	22,550	-28.4	-15.0	---	---	---
Jackson	1,310,677	-32.0	17.2	3,541,743	---	2,853,486
Kosciusko	45,554	-45.1	-0.3	75,000	114,000	22,700
Laurel	260,652	-32.6	-0.1	238,746	291,895	2,691,362
Leland	16,613	-20.7	24.8	80,976	13,000	19,500
Lexington	19,749	17.7	14.6	---	---	---
Louisville	42,138	-35.4	5.4	35,705	---	114,658
Lucedale	28,217	-28.2	-14.1	57,000	1,500	29,600
Lumberton	7,548	-21.9	36.0	48,000	-0-	4,300
Macon	13,320	-27.9	4.2	---	---	---
Magee	37,212	-29.1	13.7	---	---	---
Magonolia	8,016	-10.9	10.3	---	---	---
Marks	12,645	-20.4	54.3	---	---	---
McComb	108,603	-42.2	9.6	128,348	209,500	205,187
Meadville	4,444	-24.3	18.8	---	---	---
Mendenhall	16,632	-16.5	8.5	30,400	-0-	30,900
Meridian	299,609	-31.1	26.6	577,081	1,497,926	207,965
Monticello	17,804	-21.9	23.1	45,000	23,000	---
Morton	16,814	-22.4	---	---	---	---
Moss Point	43,809	-21.3	34.9	182,873	80,650	511,970
Natchez	171,977	-38.4	-9.0	337,600	2,034,707	967,220
New Albany	471,927	-26.8	2.8	40,685	97,570	39,000
Newton	21,028	-54.6	-17.7	200,000	49,000	94,166
Ocean Springs	68,778	-33.9	33.7	---	---	---
Okolona	11,497	-24.9	4.9	1,600	7,000	7,000
Oxford	89,619	-7.6	27.5	934,906	118,700	63,350
Pascagoula	176,484	-20.9	4.5	---	---	---
Pass Christian	12,145	-24.6	13.3	217,120	94,450	227,070
Philadelphia	49,865	-34.8	19.8	---	---	---

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month February	PerCent Month Ago	Change Year Ago	Current Month February	Month Ago	Year Ago
Picayune	74,957	-30.9	15.3	---	---	---
Pontotoc	33,378	-29.7	-1.8	---	---	---
Poplarville	14,353	-24.9	14.6	---	---	---
Port Gibson	14,913	-18.3	0.9	---	---	---
Prentiss	18,154	-19.9	13.6	---	---	---
Quitman	20,348	-34.1	8.5	---	---	---
Raymond	3,550	-38.4	-11.8	---	---	---
Richton	8,247	-20.4	4.6	---	---	---
Rosedale	7,162	2.0	29.8	---	---	---
Ruleville	8,364	-11.1	32.3	---	---	---
Sardis	13,566	-22.3	3.1	0-	4,000	30,000
Senatobia	39,347	-23.5	5.7	393,300	11,000	13,500
Shelby	7,878	-6.8	42.0	---	---	---
Starkville	95,553	-14.9	10.1	---	---	---
Summit	9,120	-22.4	40.3	---	---	---
Taylorville	10,437	-7.1	11.4	---	---	---
Tchula	3,576	-35.4	15.8	---	---	---
Tunica	13,020	-34.3	23.8	---	---	---
Tupelo	276,730	-33.9	16.7	532,239	870,291	409,350
Union	10,214	-37.9	8.8	---	---	---
Utica	8,125	-16.6	9.8	---	---	---
Vicksburg	165,812	-31.5	9.2	1,400,095	112,170	687,967
Walnut Grove	1,460	-14.5	-5.5	---	---	---
Water Valley	20,057	-51.4	6.8	---	---	---
Waynesboro	47,151	-42.7	-8.8	128,200	18,000	16,585
West Point	48,112	-19.9	7.2	58,225	601,995	4,000
Wiggins	21,408	-47.1	18.2	20,000	6,500	0-
Winona	27,084	-25.3	6.7	33,000	0-	0-
Yazoo City	53,183	-33.8	-1.2	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	February* 1983	January 1983	February 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	156,400	156,300	155,700	0.1	0.4
Unemployed Persons	12,300	11,900	10,900	3.4	12.8
Per Cent of Labor Force	7.9	7.6	7.0	---	---
Employed Persons	144,100	144,400	144,800	-0.2	-0.5
Non-Ag Wage & Salaries	124,200	124,900	125,700	-0.6	-1.2
Manufacturing	18,700	18,400	17,800	1.6	5.1
CITY SALES TAX COLLECTIONS	1,361,829	1,997,176	1,162,215	-31.8	17.2
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	69,670	68,900	67,040	1.1	3.9
Unemployed Persons	8,150	7,420	5,370	9.8	51.8
Per Cent of Labor Force	11.7	10.8	8.0	---	---
Employed Persons	61,520	61,480	61,670	0.1	-0.2
Non-Ag Wage & Salaries	52,140	52,260	52,690	-0.2	-1.0
Manufacturing	9,070	8,930	8,650	1.6	4.9
CITY SALES TAX COLLECTIONS	468,144	711,312	393,927	-34.2	18.8

*Preliminary

Insurance Industry Sales, Face Amount by State District of Columbia, December, 1982 (000's)

SOURCE: Life Insurance Marketing and Research Association

State	December 1982	December 1981	Change One Month	Change One Year Ago	State	December 1982	December 1981	Change One Month	Change One Year Ago
Alabama	\$1,038,204	\$10,235,894	124%	120%	Nebraska	528,764	4,971,636	121	122
Alaska	126,324	1,048,125	156	134	Nevada	219,394	1,929,069	117	122
Arizona	891,976	7,486,624	137	124	New Hampshire	235,870	2,051,870	122	115
Arkansas	645,884	5,649,816	145	146	New Jersey	1,979,505	17,076,678	121	116
California	7,801,005	66,416,821	124	121	New Mexico	390,972	3,312,430	125	126
Colorado	1,139,321	10,225,674	100	122	New York	3,740,925	32,091,590	119	112
Connecticut	939,530	8,651,322	105	118	North Carolina	1,539,043	14,211,805	129	121
Delaware	179,017	1,567,975	144	125	North Dakota	291,387	2,407,593	139	138
D.C.	241,689	1,943,519	141	132	Ohio	2,810,699	24,467,651	126	120
Florida	3,026,018	26,932,758	118	121	Oklahoma	1,046,150	9,415,647	127	121
Georgia	1,967,573	17,288,121	134	128	Oregon	743,613	5,979,056	136	126
Hawaii	325,819	2,893,972	122	119	Pennsylvania	2,426,955	21,654,161	126	116
Idaho	266,724	2,526,803	114	120	Rhode Island	229,655	2,157,234	111	104
Illinois	2,970,922	25,843,327	118	115	South Carolina	922,862	8,313,466	151	130
Iowa	791,163	7,095,847	126	117	South Dakota	253,054	2,192,453	138	142
Kansas	775,541	6,649,546	118	121	Tennessee	1,540,308	12,884,322	150	137
Kentucky	815,886	6,922,686	145	124	Texas	5,583,017	49,283,586	121	125
Louisiana	1,636,005	14,321,808	127	125	Utah	740,677	6,548,959	134	145
Maine	184,318	1,813,049	107	116	Vermont	98,231	925,660	85	120
Maryland	1,022,387	9,529,132	117	112	Virginia	1,563,731	13,862,652	129	118
Massachusetts	1,322,961	11,639,250	112	115	Washington	1,216,984	10,631,235	131	131
Michigan	1,581,677	14,579,259	117	115	West Virginia	244,933	2,527,869	113	108
Minnesota	1,210,319	9,727,397	137	124	Wisconsin	995,167	9,192,454	113	116
Mississippi	638,538	6,009,847	156	131	Wyoming	150,858	1,156,010	126	114
Missouri	1,165,829	11,007,987	107	121	U.S. Total	\$63,809,787	\$560,903,133	124	121
Montana	243,369	1,869,566	150	125					



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EDITOR'S NOTE: In the April issue we inadvertently failed to identify the author of the article "The Devil's Advocate--A Useful Organizational Device," Dr. Randall M. Evanson, as an associate professor in the School of Business Administration, Stetson University, DeLand, Florida.

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Federal Taxation of Life Insurance

Kenneth W. Hollman and Joe H. Murrey, Jr.

Life insurance can be defined as a contract supported by consideration (the premium) under which one party (the insurance carrier) agrees to pay the other (the insured or policyholder) a given amount upon death or the occurrence of some other specified event. In essence, life insurance is protection against the most important economic risk which an individual faces--the loss of income generating capacity.¹ The most obvious way that income-earning ability can be destroyed is through death. Understandably, protection against reduction of loss of income due to death is an essential part of the personal insurance program and estate plan for most people.

In many ways, the life insurance product is unique as a method of guaranteeing an income to meet family expenses and pay estate taxes at one's death, and especially to create an estate for one's dependents. It is possibly the only legal method of creating an immediate estate. An estate is created at the moment the insured purchases a policy and pays the first premium. This is true whether the policyholder dies during the week following the purchase or twenty years later. For this reason, life insurance proceeds are the subjects of many gifts and bequests and form a large portion of many estates.

Because insurance is an ideal mechanism to create an estate and to assure continuity of income for one's family after death, it has long been subject to federal taxes of various kinds. The taxation of life insurance follows the basic taxation rules which apply to other kinds of property in many ways. However, the life insurance policy is a unique and complex bundle of rights and privileges, and there are some tax laws which apply only to life insurance. Policyholders are affected by income taxes as well as estate taxes and gift taxes, because transactions under insurance contracts may produce liability for these taxes on the part of the insured, beneficiary, or annuitant.

The purpose of this brief article is to present basic information in non-technical terms concerning federal taxation as it relates to life insurance. The material is

organized in the following manner. The first section discusses the income tax treatment of life insurance and endowment proceeds as well as those of annuity benefits. The second section covers the estate and gift tax implications of life insurance proceeds. The final section presents a summary of the paper along with concluding remarks. For those unfamiliar with income tax terminology, technical jargon is avoided throughout the paper.

Income Taxation of Life Insurance Proceeds

The discussion of the income tax treatment of life insurance and endowment proceeds will be divided into two parts. The first part covers the taxation of proceeds (death benefit payments) payable as a result of the insured's death, and the second covers proceeds payable when a policy is surrendered or when it matures.² These parts are treated in turn below.

Taxation of Death Proceeds. The tax treatment of life insurance proceeds paid by reason of the death of the insured varies depending on whether the beneficiary receives the proceeds in a lump-sum or under one (or some combination) of the settlement options (defined below). If the proceeds are paid in a lump-sum, then there are no tax implications--the proceeds constitute a return of principal under legal and accounting principles and are excludible from the beneficiary's gross income. The identity of the beneficiary is of no importance. The proceeds include the face value of the policy as well as any paid-up additions, accumulated dividends or interest, one-year term insurance purchased with dividends, and any proceeds resulting from a double indemnity provision.³

Many insureds, or beneficiaries after the insured's death, choose to receive the proceeds under one of the several standard settlement options available under most life insurance contracts. These options provide the policyholder and his beneficiaries with the means of

securing a planned income arrangement on a guaranteed basis. Generally speaking, under any settlement option, only the interest element in any payment to the beneficiary is subject to federal income taxation. The interest element is defined as the amount in excess of the lump-sum proceeds which the beneficiary would have received at the time of the insured's death. The amount which would have been received as a single sum does not lose its tax-free character simply because the beneficiary chooses to receive it in installments. Each of the options available to the beneficiary is defined briefly below before the particular tax considerations surrounding it are discussed.

(a) **Interest Only Option.** Under this option, the death proceeds are held by the insurance company for future withdrawal or distribution and a designated primary beneficiary receives interest on a regular basis (either monthly, quarterly, semi-annually, or annually). A guaranteed minimum rate of interest (2½ percent to 5 percent) stated in the policy is paid, and an excess or surplus interest (one above the guaranteed rate) may be paid, if any is earned, either at the end of the year or in the same periodic manner as the guaranteed payments. This is a very flexible option, since the beneficiary may be given the privilege of withdrawing all or any part of the principal at his discretion, or of withdrawing a stipulated portion of the sum in any given year. As an alternative, the beneficiary may be given the opportunity to switch to another option or combination of options at a stated time in the future.

Under the interest only option, the full interest income is taxable at ordinary income rates to the recipient beneficiary. Further, it is taxable whether the insured or the beneficiary selected the option. Also, it is taxable (under the so-called "constructive receipt rule") at the time the insured is entitled to receive it, not when it is actually received.

It is instructive to note here that there is a provision in the tax law known as the "spouse's exclusion," which provides that when the insured dies leaving a surviving spouse, that spouse is given a special \$1,000 annual interest exclusion. That is, the spouse may exclude from his or her gross income up to \$1,000 in interest received from policy proceeds under a settlement option in any taxable year. No beneficiary other than a surviving spouse is eligible for this exclusion. The \$1,000 limit applies regardless of the number of policies from which payments are received. Importantly, the spouse's exclusion is not allowed for interest payment under the interest only option, but it does apply to each of the other

options listed below. Its purpose, of course, is to encourage the use of installment payments to assure an income for surviving spouses.¹

(b) **Fixed Period Option.** Under this option the beneficiary receives the proceeds in monthly (or less frequent) installments over a given length of time. Each policy has a table which illustrates the monthly payment that \$1,000 would provide based on a guaranteed interest factor, for the number of years elected. Each payment under this option is divided into two parts: the principal (a nontaxable return of cost) and interest (taxable income). If proceeds are more or less than originally counted on, due to excess interest, then the amount received per period will be adjusted.

The taxable portion of each installment under the fixed period option, as well as the portion that is excludible from gross income, is easily computed. The amount payable if payments were made in a lump sum is divided by the number of payments to be made, and the result is the principal portion of the payment. This amount is exempt from income taxes. The balance is the portion of each installment attributable to the interest element and is considered to be taxable income.

(c) **Fixed Amount Option.** An alternative to the fixed period option and the interest only option is the fixed amount option. Under this settlement option, the insurance company retains the principal amount and the unpaid balance is credited annually with interest at a specified guaranteed rate. Proceeds are payable to the beneficiary in regular installments of a specified amount until principal and interest are exhausted. The fixed amount option is based on the same guaranteed interest factor as the fixed period option. The effect of a variation in the available proceeds, due to excess interest, is to increase the period of time over which proceeds are received.

When the insured or the beneficiary chooses to receive death proceeds under this option, the number of guaranteed payments required to exhaust the proceeds (the "payment period of the option") must be computed before the taxable element can be determined. Fixed amount option tables are available to ascertain the number of guaranteed payments of a specified amount under the guaranteed interest rate in the policy. Once the payment period is known, the procedure for dividing each payment into the principal element (tax free return of capital) and interest element (gain) is similar to that for the fixed period option. Of course, excess interest under the fixed amount option is applied to increase the number of payments, and all payments beyond the guaranteed period would include only excess interest and would be fully taxable to the beneficiary.

(d) **Life Income Payments.** As with the fixed period and fixed amount options, income is received by the payee under the life income option in equal monthly installments including both principal and interest. The payment period is the life expectancy of the beneficiary. An orderly liquidation of proceeds with some interest is guaranteed to the beneficiary over his/her entire lifetime, no matter how long that may be. The amount received will differ depending on the sex and age of the beneficiary at the time of option activation. Of course, a beneficiary could easily receive more than a return of capital tax free if he outlives his life expectancy.

There are a number of variations of life income option available, the most common being the "pure" alternative, the "life income period certain" alternative, and the "life income, refund certain" alternative. Under the "pure" or "life only" alternative, the annuitant receives monthly installments until death, and then all payments cease. There is no guarantee that total payments will equal the principal sum. With respect to the latter two life income options, it should be noted that the "certain" feature has no bearing on the settlement for the primary beneficiary, rather, it has relevance only to a contingent beneficiary. It means that the recipient-beneficiary is assured of a minimum payment period or a minimum amount.

Under the "life income, period certain" option, the primary beneficiary is assured of payment for the remainder of his/her life, and then payments will continue to successive contingent beneficiaries for the balance of the "certain" period. The "certain" period might be 5 years, 10 years, 20 years, or whatever the insured or the beneficiary elects. The amount of each periodic payment will depend on the rate of interest, and the age and sex of the payee. Under life annuities with the refund certain feature, payments are guaranteed so long as the payee lives. However, if the primary beneficiary dies before receiving an amount equal to the principal sum, the difference between total payments to that point and the principal sum is paid to a contingent beneficiary.

To determine the taxable portion of payments received under either the "life only" or "life with guaranteed payments," the life expectancy of the primary beneficiary at the time of the insured's death must be known. When this figure is divided into the amount which would be received if the lump-sum option were chosen, the result is the annual tax-exempt portion of installments. Mortality tables can be used to determine the expected life of the primary beneficiary that is used in computing the taxable portion of death proceeds paid under this option.

The computation of the taxable portion of the proceeds under the "life only" option is very simple. The initial proceeds are divided by the number of years the beneficiary is expected to live, and the result is the tax-free payment of principal per annum; the balance is taxable income to the beneficiary, subject to the \$1,000 annual spousal exclusion.

The computation becomes more complex when the "period certain" or "refund feature" is a part of the life income option. In these cases, there must be a downward adjustment in the amount by which the beneficiary's life expectancy is divided. IRS-provided tables are used to measure this value. This adjustment is necessary because of the actuarial chance that guaranteed payment will continue after the insured's death. That is, under the life options with these features, the present value of such features must be deducted from lump-sum death proceeds before the proration process begins.

The downward adjustment is stated in percentage form. Once computed and applied to the proceeds receivable under the policy, the reduced figure is then divided by the beneficiary's life expectancy. The resulting figure is a smaller tax-free portion of the life-income payment, reflecting the fact that payments may continue after the primary beneficiary dies until the guaranteed period has ended or the full proceeds of the policy are exhausted.

Income Taxation of Living Proceeds. Amounts which may be received under life insurance contracts other than by reason of the insured's death include cash surrender values and endowment maturity proceeds. When an endowment policy matures or a life insurance policy is surrendered for its cash value, there may be income tax consequences. In some cases, the tax treatment is the same as it is for death proceeds, but in other cases it is different. This section discusses in turn the tax consequences when the benefits are paid in a lump-sum or left with the company, and when the benefits are received in the form of installments or annuities.

(a) **Lump-sum Payments.** When a surrendered life insurance policy or a surrendered or matured endowment is paid to the insured in a lump-sum cash settlement, that portion of the proceeds received (the amount realized) above the "cost" of the policy is taxable in the year of maturity or surrender. "Cost" in this case differs depending on whether the policy is nonparticipating or participating. If the contract is nonparticipating, the cost is measured by the sum of premiums paid (the policyholders basis), excluding any policy loans outstanding.

If the policy is participating, the dividend option selected will affect actual cost (total premium). Dividends paid in cash or applied to the gross premium or policy loan are considered as a tax-free return of capital and are subtracted from the gross premium to arrive at the net cost at the time of surrender or maturity. If dividends are used to purchase paid-up additional insurance or left to accumulate at interest, then the cost of the contract will be the gross premiums paid by the policyholder. Policy loan interest and the amount of premium used for payment of waiver of premiums and accidental death benefits do not enter into computation of cost. In all of these situations, any balance of proceeds plus amounts previously received tax free under the contract, over aggregated premiums or other consideration, is taxable ordinary income to the insured-recipient in the year it is received. However, the policyholder is permitted under current tax laws to use the income averaging technique if gains are substantial.*

(b) Interest Only Option. If the proceeds of a matured endowment policy or a matured life insurance policy are left with the carrier under the interest only option, the interest payments are considered to be income. Whether the gain is taxable immediately depends on whether the principal can be withdrawn. If it can be withdrawn at the discretion of the policyowner, the entire gain is immediately taxable.

(c) Living Proceeds in Installments and Annuities. Both annuity contracts and living benefits of life insurance and endowment contracts that are taken under a settlement option are taxed under the so-called "annuity rules." These rules reflect congressional intent as to the extent to which such receipts shall be deemed to constitute income. The rules state that a fixed portion of installment payments under these contracts is principal, or a return of premium, and is therefore exempt from income taxes. The remainder is interest, a gain, and therefore subject to income taxation. The portion of payments considered as principal remains the same even after the annuitant has received payments equal to or greater than the cost of the contract.

The amount excludable from income taxation is determined by the exclusion ratio or percentage. The exclusion ratio is the "investment in the contract" (consideration paid for the contract less dividends received under a participating policy) divided by total expected return (aggregate amount of payments expected to be received under the contract, based on actuarial statistics). To find the tax free portion of each payment, one can multiply the exclusion ratio by the annual annuity payments. As a general rule, once it is determined

the exclusion ratio remains the same throughout the payment period. There is, therefore, a level tax over the whole period of the annuity. However, the exclusion ratio may change if the annuity contract is modified or exchanged.

(i) Fixed Period Option. When the insured chooses to receive the benefits of life insurance or endowment contracts in installments over a fixed period, the excluded portion is computed by dividing the dollars accumulated in the policy by the number of years in the fixed period.

(ii) Fixed Amount Option. Under the fixed amount option in a living proceeds arrangement, the tax-free portion of each installment is determined by dividing the investment in the contract (dollar accumulation) by the expected total return (number of guaranteed payments).

(iii) Life Income Payments. In determining the tax-free portion of each payment when the insured chooses either of the life income options, the life expectancy of the annuitant at the time of election must be known. When this figure is divided into the cost of policy, the result is the excluded portion of each payment. The balance is subject to income taxation in the year received. Under each of the life income payment options, the tax-exempt portion remains constant so long as the insured lives. Hence a person who achieves superannuation might continue to receive tax-free income long after recovering the amount accumulated in the policy.

In those cases where the insured chooses the life only option, the annual tax-free return of principal is computed by dividing the cost of the contract by the life expectancy at the time of election. The balance of each payment is taxable gain.

If the insured elects to receive the surrender or maturity proceeds under a life income with guaranteed option, the total dollar accumulation is reduced by the actuarial value of any refund or period certain feature before dividing by the insured's life expectancy to get the tax-exempt portion of each installment. The taxable portion to the annuitant will, of course, be increased by this adjustment.

The adjustment is made for the same reason it is when death proceeds are involved: There is a guarantee that the total payments will at least equal the consideration, and there is an actuarial probability that the contingent beneficiary will receive a portion of the guaranteed payments. The precise amount of the adjustment, again expressed as a percentage, is determined from the actuarial value of the certain period or the refund feature. Once the percentage figure is found in an IRS-provided annuity table, it is applied to the lesser of

the recipient's dollar accumulation or the total amount of guaranteed payments. The product is subtracted from total dollar accumulation to get the adjusted accumulation figure. From this point, the calculation of the tax-free return of principal is the same as it is with the life only option.

Federal Estate and Gift Taxes

The tax implication of insurance policy transfers made during the donor's life or at his death are at least as important as those for income taxes. The subjects of estate taxes and gift taxes are discussed in this section.

Estate Taxes. The basic rule with respect to estate taxes is as follows: the value of death proceeds will be included in the insured's gross estate if the proceeds are payable (directly or indirectly) to the decedent's estate, or if the decedent possessed an "incident of ownership" in the contract at the time of death. Since life insurance policies with these characteristics are typical, the proceeds of most policies are subject to the federal estate tax.⁷

(a) **Proceeds Payable to the Estate.** Any death proceeds payable to the estate outright, to the personal representative (executor or administrator) of the insured, or to or for the benefit of the estate are considered as "proceeds payable to the estate" and are added to the other probate assets of the estate. Having death benefits go directly to the estate is particularly useful when funds are needed to cover debts, taxes, funeral expenses, or to cover probate costs. It should be noted that proceeds are always included in the gross estate when payable directly to the estate or to the personal representative. It does not matter when the contract was taken out, who paid the premiums, or who is the owner of the policy.

Proceeds are also included in the decedent's estate when the insurance is payable indirectly for the benefit of the estate. Therefore, even where a trustee or other individual beneficiary receives the proceeds, they will be included in the decedent's estate if the named beneficiary has a legally binding obligation to use them to defray estate debts or other legal obligations. The proceeds will also become a part of the decedent's gross estate if a creditor holds a policy as collateral for a loan, up to the amount actually used to extinguish the debt or obligation. Also, the same is true where the proceeds are earmarked for the payment of death taxes.

(b) **Proceeds Payable to Named Beneficiaries.** The insured can avoid certain problems associated with hav-

ing proceeds payable to the estate--such as subjecting the proceeds to additional probate expenses and exposing assets to the claims of creditors-- by designating a specifically named person as beneficiary. In those instances where proceeds from insurance policies on a decedent's life are payable to a named beneficiary, they are includible in the decedent's estate if he/she possessed incidents of ownership in the policy at the time of death. It is irrelevant as to the manner of creation of ownership (gift, purchase, etc.), or whether the powers were exercisable alone or in concert with another person. It also does not matter who paid the premiums on the policy or who received the proceeds.

A decedent has an incident of ownership (i.e., has basic ownership rights) if he/she has:

- the right to surrender or cash in the policy,
- the right to borrow on the policy,
- the right to name and change the beneficiary,
- the right to pledge or assign the policy as security for a loan, or
- the right to receive dividends.

Therefore, the person who takes out a policy and names someone else as beneficiary will have the proceeds included in his estate at death if he/she retained any of the essential contract rights mentioned above. There is no evaluation of the respective proscribed incidents of ownership; the retention of either will negate the transfer. The policy would not be included in the gross estate if the insured through an unconditional sale or gift had divested himself of all significant rights and privileges in the contract.

The reader should note that transfers by gift of insurance policies **within three years of the owner's death** will be included in his/her gross estate for estate tax purposes. This rule applies even when all incidents of ownership are relinquished. Also, fair market value of an insurance policy owned on another person's life will be included in the decedent's gross estate.

Federal Gift Taxes. Whereas the federal estate tax reaches transfers made at the policyholder's death, the federal gift tax is based on the interest in property transferred to others while one is alive. Despite the tax, there are a number of advantages to making gifts. Life insurance policies contain certain characteristics that make them ideal subjects for gifts. One of the most important reasons for giving away the ownership of a life insurance policy is to reduce the size of one's estate and to split income. Also, the donor's financial position is not adversely affected if the surrender value of the policy is small. In addition, there is no change in his income because of the gift. Finally, the gift tax cost of

transferring a policy is small as compared to the potential estate tax savings. This is true because the policy is transferred at its present value. If the policyholder dies retaining ownership of a policy, an amount equal to the face value of the policy will be included in his estate for estate tax purposes.⁸

Despite these significant advantages, there are certain tax implications which the donor of a life insurance policy must consider. From the viewpoint of the IRS, the insured who purchases a life insurance policy with a named beneficiary (the policy is not payable to the insured or to his/her estate), and who retains no incidents of ownership, has made a gift of the policy. Similarly, when the donor-insured irrevocably assigns all rights and interest in an existing policy, he has consummated a transfer that is legally considered a gift and has removed the value of the policy from his/her estate for estate tax purposes (if he lives for more than three years after making the gift). In both cases, the transfer would be subject to federal gift tax; however, the "annual exclusion" would apply in each case.⁹

The precise tax consequences of a gift of life insurance depend on whether the donor pays a premium on a policy owned by another person, or whether the donor gives a paid-up policy or an existing annual premium policy to the donee. Valuation for each of these kinds of gifts are considered in turn:

(a) **Gifts of Premium Payments.** The donor who takes out a policy and immediately makes a gift of it to a named donee has made a gift of the gross premium paid. This is true whether the premium is single or annual. In those instances where the premium is paid on an annual basis, and the donor continues to make the annual premium payment, every premium paid subsequent to the transfer is considered to be a gift to the donee. As long as the assignment is outright, the gift will be considered one of a present interest and the annual exclusion will apply.

(b) **Gifts of Paid-Up Policies.** The donor might choose to make a gift of a paid-up life insurance policy that was purchased in a prior year. Here the value of the gift is measured by its fair market value, which in this case is the "replacement cost" of a similar contract. This is interpreted to mean the cost of a comparable contract at the insured's age if paid by a single premium.

(c) **Existing Annual Premium Policy.** If the donor gives the donee a life insurance policy which was issued in a prior year on which premiums are still being paid, the gift tax is again the policy's fair market value, defined in this instance as the "interpolated terminal reserve." This value will usually approximate the

policy's cash surrender value except in the early years of the policy. Specifically, the interpolated terminal reserve is an amount equal to the policy reserve interpolated to the date of the gift, plus the value of all accumulated dividends and any unearned premiums, minus the value of any loan against the policy. This figure can be obtained from the insurance carrier which issued the policy.

Summary and Conclusion

One objective of estate planning is to minimize the cost of transferring property to beneficiaries. Life insurance plays an important role in estate planning for many people. This article has discussed various tax consequences of the life insurance device including those affecting beneficiaries who receive death benefits under various settlement options, and owners who surrender a life insurance policy for its cash value or who receive endowment maturity proceeds. Also discussed were the gift and estate tax implications of transferring policies to another owner, either in life or at death, and of paying premiums on a policy on which the donor is neither the owner nor the insured.

The main point of the article is that one should pay particular attention to the tax implications regarding life insurance in the estate plan. Life insurance can be "programmed" to reduce the waste of death proceeds through unnecessary income, gift, and estate taxation. Of course, estate planning is a complex field which involves many fields expertise other than taxation. For example, it can be used to encourage the judicious use of death benefits by improvident beneficiaries.

The reader is advised to seek technical assistance in integrating life insurance in his/her estate plan, and in ascertaining the precise tax consequences of such an integration. Attorneys and accountants, as well as skillful insurance agents and financial planners, can provide helpful information to interested policyholders.

FOOTNOTES

⁸Dr. Hollman holds the Tommy T. Martin Chair of Insurance at Middle Tennessee State University and Dr. Murrey is Director of the Insurance Excellence Program at the University of Mississippi.

⁹The term "life insurance" is used in this article in its broad sense to include whole life, endowment, and term life insurance, as well as accidental death benefits under health insurance policies.

"Most readers are probably aware that premiums for personally owned insurance policies are regarded as personal, living, or family expenses and are not exempt from income taxes. The only exceptions to this general rule of nondeductibility of premiums are (1) premiums paid on policies irrevocably assigned to qualifying charities, and (2) premiums representing alimony payments.

"Important exceptions to the general rule that the proceeds of life insurance policies payable by reason of the death of the insured are income tax free is (1) the transfer-for-value rule, and (2) those cases where benefits are paid as compensation. The transfer-for-value rule states that where a policy has been assigned for valuable consideration, the proceeds (less the amount paid for the transferred policy, plus premiums paid by the transferee after purchasing the policy) are subject to income taxation at ordinary rates. There are several exceptions to the transfer-for-value rule, including transfers of policies to the insured or to his/her partner, a partnership in which the transferee is a partner, or a corporation in which the transferee is a stockholder or officer. The second exception deals with those cases where a second party agrees to perform services for the insured in exchange for being named as beneficiary of a life insurance policy. Here the benefits would be taxed as compensation and not as life insurance proceeds.

"If the surviving spouse is given a general power of appointment over the proceeds (ther right to withdraw the sum or to name another recipient), The adverse effects of this rule can be reduced by granting the survivor a limited right, that is, by permitting the surviving spouse to withdraw annually (on a noncumulative basis) the greater of \$5,000 or 5 percent of the company-held proceeds. In this way, only the amount subject to withdrawal by the survivor in the year of death will be included in his/her estate.

"The policy holder also has another alternative. If he selects (within 60 days subsequent to the maturity of the contract) an annuity settlement option, then any gain can be spread over the period in which the annuity payments are made. This tax advantage is not available where the interest only option is elected.

"While not the major focus of this article, another tax to consider in estate planning (with respect to life insurance proceeds as well as other real and personal property) is the state inheritance or estate tax. This tax, now used by almost all states, may take on one of two forms: an imposition against the decedent's estate, usually to make certain that the state obtains full benefit of a federal provision for credit against payments of state death taxes, or an inheritance tax on the beneficiaries who receive a share of the estate. In most states, the state death tax will be considerably less than the federal estate tax, but its consequences are usually substantial enough to necessitate its being factored into an individual's estate plan.

"The reader should note that much of what is said here about federal gift taxation does not apply to interspousal transfers. The law now (since 1981) allows a deduction for the full value of qualifying property (including life insurance) passing to a decedent's or donor's current spouse, that is, there is an unlimited marital deduction. One spouse can now give an entire estate to the other without adverse gift tax consequences. Of course, interspousal transfers become subject to gift or estate taxes when the surviving spouse either gives part or all of the property away or upon his/her death.

"Any person can give \$10,000 in cash or other property per year per donee with no gift tax implications under the so called "annual exclusion." There is no limit on the number of persons to whom gifts can be made nor on the number of years to which the exclusion applies. Furthermore, a husband and wife may combine their exclusion under the "gift-splitting" provision and give \$20,000 each year to as many people as they wish without incurring any gift tax, even if one spouse has no property in his/her estate. It should be noted that the annual exclusion is noncumulative. If not used in a given year, it is irretrievably lost. Also,

the annual exclusion is available only for a gift of a "present interest," i.e., one in which the donee has immediate use and enjoyment. The annual exclusion is a boon to those who wish to realize the economic benefits of lifetime giving of life insurance or other property.

NEW AND EXPANDED INDUSTRY

Town	Firm	No. of Employees
Product		
EXPANDED		
Amory		
	Penthouse Amory, LTD.	
	Upholstered Furniture	50
Fulton		
	Crestline Furniture	
	Upholstered	75
Meridian		
	Peavey Electronics	
	Guitars	
Ripley		
	Pep Industries	
	Automotive Parts	150

INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS [Seasonally Adjusted] 1969 = 100

Indicator	March 1983	February 1983	March 1982
Retail Sales	149.7	159.2	180.2
Electric Sales	201.4	196.4	196.6
Gasoline Gallonage	123.1	128.5	148.3
Loans of Savings & Loans Institutions	47.1	52.7	59.5

A Survey of the Causes of Labor Turnover in a Retail Chain

by
Dr. G.T. Stewart
Dr. Stephen Garrett

Employee turnover has been and continues to be a problem for retailers. It has been a generally accepted fact that the retailers have a high rate of turnover among employees. The exact extent and severity of the labor turnover among retail establishments is unknown, due to a scarcity of reliable and timely data. Some recent studies have indicated a turnover rate of 30 percent and above for full-time employees and 100 percent and above for part-time employees.

High quit rates not only reduce employee productivity but, due to the related costs, place a considerable drain on company profits. When an employee leaves a store, the manager is faced with a number of problems. First, the manager must find and train a suitable replacement. Second, the manager must insure that the department or area affected maintains sales at its former level. Third, and possibly most important, employee turnover increases the operating costs of the organization. If the quit rate of a store is high, the managers must contend with a constant problem of replacement and training.

High turnover rates increase the operating costs of the retailer. The exact amount of the increased cost is difficult to compute because the "cost of turnover" is many times partially included in other costs or expenses. For example, the vacating employee may cause increased direct labor costs due to the inefficiency of the new replacing employee and a possible increase in the supervisory work load in the department or area. This decreases the productivity of the department and increases the direct labor expense.

Retail firms which experience high turnover rates due to voluntary quitting are not only reducing their employee efficiency, but they are also reducing their competitive positions as well. If the quitters remain in the retailing industry, the company that gains the employees gets a trained employee at another company's expense. One author approached the problem of retail employee turnover from another viewpoint. He noted that high turnover rates cause inconsistency in the

customer's perception of the firm. For example, if the firm experiences a 20 percent employee turnover rate, the customer has one chance in five of getting a new salesperson who may not be yet adequately or fully trained in the procedures of the store.¹ Excessive labor turnover is commonly recognized as being disruptive to the organization, resulting in decreased employee morale and increased labor costs.

This study not only provides data on retail labor turnover, but also provides some insights into the variables that influence employee turnover. Data from the nine store segment of a multi-unit retail operation used in the study may relate to other retailing organizations by identifying some real and meaningful reasons for employee turnover, retail organizations will be in a better position to cope with the problem.

A major retailing chain provided the basis of the primary research utilized in this study. The files and offices were located in the individual units in Alabama, Georgia, and Florida. Each store was a full-line operation of Southern Stores (fictitious name) merchandising soft good, hard goods and automotive parts and service. It should be noted that this step presented the researchers some difficulty as major retailing organizations were reluctant to permit outsiders access to their files for the purpose of research. Several major retailers simply refuse to cooperate. After several discussions, Southern Stores consented to allow the researchers access to their personnel files and personnel managers.

Methodology

The study had two objectives. The first was to determine why people voluntarily leave their jobs. The second objective as to compare the official reasons shown in the store files (exit interviews) with the reasons indicated in the researchers' mail questionnaire.

In order for the organization to obtain the employee's view on quitting, the personnel manager

conducts a brief and informal interview with the exiting employee. The personnel manager completes an exit interview by noting on the employee's personnel record a code number which corresponds to a particular reason for quitting.

The primary source of data for the research was a mail questionnaire directed to each voluntary quit. The mail questionnaire was sent to all 1217 voluntary quits for the nine stores for the three years studied. Although 369 were returned by the Post Office as "undeliverable," a total of 284 of the questionnaires delivered (or 33.5 percent net return) were completed and returned. The rate of return was good considering the nature of the population, and that no financial inducement was offered as a reward to complete and return the questionnaire. A code number on the mail questionnaire enabled the researchers to match the personnel file to the mail questionnaire. This methodology allowed the researchers to compare reasons for quitting shown on company files with the reasons given on the mail questionnaire.

The researchers were especially pleased with the mail questionnaires returned because respondents made many open-ended comments. Many of the respondents utilized all the space provided for comments, the margins, and even the reverse side of the questionnaire to make additional remarks or to further elaborate on a specific point.

Findings

The extent of the labor turnover problem for the nine stores over a three year period in the mid-1970's is exhibited in Table 1. While 19.2 percent of the stores had turnover rates of less than 21 percent, approximately 15 percent of the stores had turnover rates in excess of 51 percent. The yearly average turnover rates for all stores over the three years were 28.0, 34.3, and 39.3 percent.

While the turnover data appear on the high side, the scarcity of comparative data for other retail organizations makes it difficult to say positively whether or not Southern Stores has a more difficult problem than other retailers. A store manager for Southern Stores suggested that the lack of labor turnover data in retailing results from the fragmented nature of the industry and the reluctance of retailer to openly admit to the magnitude of the problem.

TABLE 1
Summary of Labor Turnover for Southern
Stores Over Three Years

Rate of Turnover	Number of Stores	Percent of Stores
1 to 10 percent	0	—
11 to 20 percent	5	19.2
21 to 30 percent	7	27.0
31 to 40 percent	5	19.2
41 to 50 percent	5	19.2
51 to 60 percent	2	7.7
61 to 70 percent	2	7.7
71 to 80 percent	0	—
81 to 90 percent	0	—
91 to 100 percent	0	—

The data also denoted that labor turnover rates for the stores located in the smaller cities averaged approximately 15 percent less per year. This possibly reflects the lack of suitable alternative sources of employment in smaller cities. As expected, turnover rates will vary significantly from store to store and also year-by-year of the same store. Only one of the nine stores maintained a rate of turnover consistently below the average for all stores. In order to understand and control voluntary quits, many firms utilize some form of exit interview. While exit interviews are popular among personnel manager, several studies have shown that bias may occur when people are interviewed at the time they resign. Upon leaving, many employees simply give polite excuses such as "family moving," "returning to school," or "personal reasons." In a 1969 study of a retail organization, Levine supported the conclusion that employees showed a bias in the reasons they gave the firm at the time they quit.²

When the researchers compared the 284 completed mail questionnaires with the official files of each employee, a substantial difference of opinion clearly emerged (Table 2). For example, only 25 employees indicated employment conditions in the store's exit interview as a reason for their resignation. On the other hand 105 employees indicated employment conditions on the post-employment mail questionnaire used in the research. Matched pairs signifies the number of former employees who consistently gave the same reason for quitting to both the firm and the researchers. The small number of matched pairs suggests a wide disparity in the reasons given for quitting. The data in the table clearly point to the conclusion that the employees of Southern Stores tended to bias the reasons they gave for quitting

at the time they quit. Some of the differences in opinions was due to the fact the perceptions change with time and the memory may fail.

TABLE 4
A Comparison of Yes Responses on
Exit Interview and Post-Employment Questionnaire
(number)

Reason	Post- Employment Questionnaire	Exit Interview	Matched Pairs*
Employment conditions	105	25	15
Better pay, opportunity	150	89	69
Dissatisfied hour	89	7	6
Change in type vocation	61	24	9
Personal or family	110	139	84

*Number of yes responses on the exit interview matching the yes response on the questionnaire for the same employee.

Early in the study the researchers discovered that, while employee personnel files indicated only one reason for quitting, most former employees surveyed indicated more than one reason for quitting. In fact, slightly more than 75 percent of all completed mail questionnaires contained more than one reason for quitting.

Using a slightly different methodology, the data in Table 3 confirms the bias in the retailer's company records. Whereas the employer thought 57.5 percent of all quits were due to personal or family problems, the research questionnaire revealed this to be a problem of only 38.1 percent of all responses. Tables 2 and 3 suggest that Southern Stores should take a more careful look at reasons why employees voluntarily quit their jobs.

TABLE 3
Comparison of Reasons Given for
Quitting to Company and to Researchers
(Percent indicating reason as a problem)

Reason	Company Records*	Research Questionnaire
Employment conditions	6.2	36.3
Better pay, opp.	23.5	51.9
Dissatisfied hours, shifts	2.5	30.7
Changed type vocation	10.3	21.1
Personal or Family	57.5	38.1

*Company records show only one reason for quitting, while the researchers found multiple responses.

The mail questionnaire also asked each former employee to rate their previous employer as excellent, above average, average, below average, and poor on the eight elements listed on the left side of Table 4. Those who cited job related reasons for quitting were more inclined to rate their former employer as below average or poor on supervision, opportunity for advancement, and acceptance of ideas. They were also slightly less inclined to be critical of their jobs. Those employed in the smaller stores and generally in the smaller cities were more critical of opportunity for advancement and salary.

Problem areas highlighted in the table include opportunity for advancement, salary, acceptance of ideas, and prestige. Only 20 to 25 percent rated their supervisor as below average.

Another way to analyze the data in Table 4 is through the Herzberg Motivation-Maintenance Model. The first four items in the table involve Herzberg's maintenance factors. According to Herzberg these maintenance factors can lead to employee dissatisfaction when they fall below acceptable levels. It is evident that salary, supervision, and job security were sources of great discontent among employees who chose to leave their jobs at Southern Stores. If the Herzberg theory has any relevance to these stores, the theory would say that if management improves its image with employees on pay, supervision, and job security, employees will not be motivated to increase productivity, but they will simply avoid a source of dissatisfaction.

A feeling of happiness in the Herzberg model is brought about by motivation, which relates to the content or nature of the job and which describe the employee's relationship to what he does. The major motivation in Table 4, opportunity for advancement, acceptance of ideas, and enjoyment of work, and prestige, attracted a large negative vote among former employees. A large number of employees in Southern Stores were not happy with the nature of their jobs, and they were not properly motivated to perform their jobs.

While the retailer's records (Table 3) tended to show that job related factors (employment conditions, better pay, hours and shifts) are of minor importance as a contributing factor causing quits, the data in Table 5 shows that a significant number of quits are motivated by job related factors. A summary of all questionnaires found that 70 to 80 percent of all reasons given by employees for quitting are classified as factors related to the work situation.

TABLE 4
Percentage of Former Employees Who
Rate Their Previous Retail
Employer Below Average or Poor

	All Stores	Job Related Quits	Non Job Related Quits	Small Stores	Large Stores
Working Conditions	7.4	9.3	5.6	6.9	7.8
Supervisor	21.1	25.0	17.4	22.1	20.3
Salary	45.0	45.7	44.4	51.9	39.2
Job Security	27.9	27.9	27.7	35.9	20.9
Opportunity for Advancement	54.9	60.7	49.3	62.2	48.4
Acceptance of Ideas	35.9	38.6	33.3	29.9	41.8
Enjoyment of Work	23.2	20.0	26.4	26.0	20.9
Prestige	33.4	33.6	33.3	35.1	32.0

TABLE 5
Summary of Reasons for Quitting Nine Retail Stores
(Percentages)*

Reasons for Leaving

**Factors Related to Work
Situation**

	All	Small Stores/Cities	Large Stores/Cities
Salary and/or fringe benefits	18.7	19.9	17.5
Opportunity for advancement	14.6	16.2	13.2
Supervision	9.7	8.5	10.8
Hours	12.3	13.4	11.2
Working Conditions	9.9	10.8	9.1
Better job security elsewhere	9.0	10.8	7.2
TOTAL	74.2	79.6	69.1

**Factors Not Related to
Work Situation**

Changed Vocations	84.	7.1	9.7
Moved or spouse transferred	4.0	3.1	4.8
Left to attend school	4.7	3.4	5.9
Personal or family problems	6.9	5.1	8.6
Transportation	1.8	1.7	1.9
TOTAL	25.8	20.4	30.9
GRAND TOTAL	100.00	100.0	100.0

*Percentages are expressed in relation to all responses. Where more than one reason was given for quitting, each was tabulated separately.

In the highly competitive retail industry, administrators may be able to do little to increase pay and fringe benefits and/or to improve opportunity for advancement. However, persons who produce should be rewarded by having a feeling of being secure in their jobs. Retail managers may also be somewhat limited in the changes they can make in scheduling, but they can improve supervision. A recent study of the quality of employment by the University of Michigan's Survey Research Center shows that more than 50 percent of all workers surveyed "complain about the lack of control over the days they work and their job assignments."⁴ The study reported a slight but significant drop in overall job satisfaction during the period 1973-1977. Retailers are not the only employers with dissatisfied employees.

Some former employees were not too dissatisfied with Southern Stores, since every five former employees would return to their former jobs despite the fact that better than 60 percent of all respondents reported that their new job was superior to the one they quit. As expected, non-job related quits were more willing to return to their former jobs than job related quits. Also, those working in small stores were less inclined to return to their former jobs than those working in the large stores.

Many experts in personnel management believe that one of the least expensive ways to recruit new employees is to call former employees. According to Urban Lehner of the Wall Street Journal, "Most companies these days say they're more than happy to take back any former employee who was in good standing when he or she quit."⁵ The advantage in rehiring former employees is that they not only are job ready but, in addition, they are already orientated to both the store and its policies and procedures.

Discussion

Summarizing and studying the 284 questionnaires reveals that retail store administrators would, no doubt, profit from directing their attention toward several specific areas. First, while exit interviews should be retained for the employee goodwill it creates, a post-exit mail questionnaire is probably the best way to find out why employees voluntarily quit. Managers should be alerted to the fact that employees quit for many reasons, not just one reason. Each manager's effectiveness should, in part, be judged by the rate of voluntary quits in the department he manages. Rensis Likert has suggested that administrative effectiveness may be evaluated by a number of measures including, of course,

turnover rates.⁶

Second, managerial actions should be studied carefully to determine why one in every four former employees believes that Southern Stores provides below average job security (refer to Table 4). Productive employees should be rewarded for their efforts by feeling secure in their jobs.

Third, supervision was a problem for one in five quits (Table 4). Supervisors may profit from additional in-house supervisory training. One place to start would be to teach supervisors to listen to the ideas of subordinates. One in three rated Southern Stores below average on acceptance of ideas.

Fourth, retailers should consider carefully the career opportunities afforded deserving employees. Many employees who quit perceived a general lack of opportunity to advance. A study of the potential of current employees in relation to job opportunities should reveal whether the organization is taking advantage of opportunities to promote from within the organization.

Finally a study should be made of the compensation program. In the highly competitive retailing industry, the firm may be unable to pay more. Many former employees have the belief that Southern Stores is paying below the average wage in each of the communities it serves. If other conditions of employment were almost identical for different firms, workers would move from job to job seeking higher pay. It is doubtful that other conditions of employment are ever the same.

FOOTNOTES

¹"Increasing Store Efficiency," *Stores*, National Retail Merchants Association, New York (June, 1975), p.12.

²Jerry Levine, "Labor Turnover," *Personnel Administration*, XII (November-December, 1970), p.36.

³Helbriegel, Don, J.W. Slocum, and Richard W. Woodman, *Organizational Behavior*, (St. Paul: West Publishing Company, 1983), pp. 369-371.

⁴John Hoerr, "A Warning that Worker Discontent is Rising," *Business Week*, June 4, 1979, pp. 152-153.

⁵Urban C. Lehner, "A Special Report on People and Their Jobs in Offices, Fields, and Factories," *Wall Street Journal*, December 4, 1979, p. 1.

⁶Rensis Likert, *New Patterns of Management*, New York: McGraw Hill Book Company, 1961, pp. 5-6.

Catfish Processing up 38 Percent

The U.S. **domestic production** of farm-raised catfish during March totaled 12.1 million round weight (liveweight) pounds, an increase of 38 percent from March 1982. The March average price paid to growers of 56 cents per pound decreased 1 cent per pound from last year. Net **pounds** of processed fish sold during March totaled 6.92 million pounds, an increase of 27 percent from the comparable month in 1982. **Ice pack** sales were 55 percent of the total amount sold during March 1983. The March average prices received by processors for whole fish were \$1.33 for ice pack and \$1.48 for frozen fish. These prices now exclude all sales of further processed fish. Freshwater catfish **imports** during February totaled 210 thousand pounds, of which 93 percent were from Brazil. Imports decreased 44 percent from February a year earlier. Import data were compiled by the U.S. Bureau of the Census.

Sales Indicated By Sales Tax Collections During March, 1983 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,243	29,741	Hancock	504	13,373	Lowndes	1,404	35,011	Simpson	401	10,262
Alcorn	650	17,579	Harrison	3,743	98,297	Madison	693	22,030	Smith	134	3,608
Amite	101	2,217	Hinds	7,683	228,455	Marion	551	13,111	Stone	157	3,685
Attala	297	7,849	Holmes	260	5,698	Marshall	298	7,086	Sunflower	467	25,437
			Humphreys	200	4,692	Monroe	659	17,026	Tallahatchie	172	3,779
Benton	48	1,162				Montgomery	197	4,551	Tate	280	6,975
Bolivar	629	15,280	Issaquena	9	257	Neshoba	391	10,230	Tippah	253	7,361
			Itawamba	279	6,939	Newton	275	6,620	Tishomingo	234	6,069
Calhoun	194	4,758	Jackson	2,281	59,684	Noxubee	133	3,481	Tunica	106	2,585
Carroll	84	1,938	Jasper	278	6,831				Union	288	7,673
Chickasaw	304	7,181	Jefferson	55	1,157				Walsh	167	3,844
Choctaw	74	1,657	Jeff Davis	163	3,794	Panola	441	10,685	Warren	1,156	26,874
Cibalorne	328	17,986	Jones	1,804	42,924	Peari River	860	42,456	Washington	1,440	36,315
Clarke	198	5,009	Kemper	83	1,941	Perry	99	2,328	Wayne	325	7,037
Clay	290	8,312				Pike	872	22,310	Webster	115	2,739
Coahoma	649	16,799	Lamar	359	8,740	Pontotoc	277	6,636	Wilkinson	153	3,844
Copiah	343	8,456	Lauderdale	2,058	53,785	Prentiss	299	7,484	Winston	200	4,297
Covington	346	7,906	Lawrence	128	3,159						
			Lee	249	5,978	Quitman	117	2,683	Yalobusha	149	3,329
DeSoto	747	19,732	Leake	1,602	56,296	Rankin	1,532	45,238	Yazoo	502	12,237
			Leflore	912	22,198						
Forrest	1,967	52,500	Lincoln	663	17,117	Scott	393	9,844	State Total	53,511	1,471,994
Franklin	68	1,590				Sharkey	109	2,544			
George	179	3,987									
Greene	71	1,484									
Grenada	471	13,587									

Food Stamp Participation By County, March, 1983

SOURCE: State Welfare Department

County	Number of Households ¹ (Average Allotment \$136.76)	Number of Persons ² (Average Allotment \$42.73)	Coupon Value ³ (Average Per Meal \$47)	County	Number of Households ¹ (Average Allotment \$136.76)	Number of Persons ² (Average Allotment \$42.73)	Coupon Value (Average Per Meal \$47)
Adams	2,916	8,479	372,541	LeFlore	3,225	11,793	488,041
Alcorn	2,158	5,832	244,063	Lincoln	2,121	6,413	271,909
Amite	942	3,296	125,672	Lowndes	2,730	9,131	398,599
Attala	1,740	5,381	216,072	Madison	3,702	13,229	577,120
Benton	834	2,946	120,682	Marion	1,806	5,901	257,415
Bolivar, E	3,128	11,719	485,619	Marshall	3,269	11,582	488,133
Bolivar, W	1,077	4,642	194,254	Monroe	1,866	5,895	244,656
Calhoun	1,064	3,221	119,884	Montgomery	1,433	4,011	158,562
Carroll	831	2,566	100,660	Neeshoba	1,606	4,793	183,986
Chickasaw, E	377	1,097	39,599	Newton	1,223	3,551	138,873
Chickasaw, W	735	2,205	82,553	Noxubee	1,635	5,656	235,307
Choctaw	774	2,258	92,172	Oktibbeha	2,013	6,134	276,910
Claiborne	1,314	4,173	185,679	Panola	2,537	9,303	375,867
Clark	1,323	3,750	146,878	Pearl River	2,117	6,240	279,317
Clay	1,676	5,419	230,987	Perry	1,182	3,487	148,362
Coahoma	3,786	13,723	591,984	Pike	2,486	7,735	338,884
Copiah	1,995	6,188	274,676	Pontotoc	1,374	3,839	151,240
Covington	1,327	4,308	173,620	Prentiss	1,374	3,839	151,240
DeSoto	2,204	7,802	313,303	Quitman	1,338	5,120	210,228
Forrest	4,403	12,058	539,072	Rankin	2,385	7,293	298,809
Franklin	943	2,609	112,265	Scott	1,547	4,733	184,917
George	1,155	3,582	161,413	Sharkey	1,048	4,286	173,882
Greene	1,045	3,262	144,299	Simpson	1,466	4,444	183,862
Grenada	1,266	4,102	172,300	Smith	850	2,627	100,856
Hancock	1,927	5,262	248,976	Stone	666	2,231	93,031
Harrison	6,298	19,874	900,220	Sunflower	2,909	11,718	482,582
Hinds	14,919	44,929	2,085,926	Tallahatchie	1,907	7,484	298,908
Holmes	3,495	11,545	514,535	Tate	1,692	5,309	214,939
Humphreys	1,172	4,482	187,542	Tippah	1,499	4,355	189,768
Issaquena	268	1,042	42,855	Tishomingo	1,061	2,634	105,019
Itawamba	885	2,352	89,817	Tunica	1,419	5,267	220,311
Jackson	5,810	18,746	943,943	Union	1,272	3,642	136,871
Jasper	1,249	4,071	160,536	Walthall	1,206	4,097	165,908
Jefferson	1,011	3,383	129,117	Warren	3,160	9,504	433,695
Jeff Davis	1,287	4,130	167,076	Washington	6,447	22,844	1,013,554
Jones	2,880	8,318	334,484	Wayne	1,865	5,712	242,559
Kemper	768	2,626	100,094	Webster	791	2,161	88,755
Lafayette	1,201	3,641	140,792	Wilkinson	1,150	3,518	141,191
Lamar	1,587	4,744	202,637	Winston	2,009	6,153	250,831
Lauderdale	3,728	11,545	501,964	Yalobusha	1,095	3,239	131,142
Lawrence	931	2,739	109,351	Yazoo	2,900	9,639	411,987
Leake	1,913	5,617	231,494				
Lee	2,192	6,037	255,850	State Total	171,673	549,428	23,477,309

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person (\$42.73) by total number of average meals a month (90)

STATE ECONOMIC INDICATORS

Indicator	March 1983 ¹	February 1983 ¹	March 1982 ²	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	930,300	912,800	914,700	1.9	-1.2
Non-Ag Employment	782,700	779,900	797,800	2.8	-15.1
Mining	11,300	11,200	13,500	0.1	-2.2
Contract Construction	39,100	38,500	40,700	0.6	-1.6
Manufacturing	195,700	195,200	206,300	0.5	-10.6
Transportation and Public Utilities	38,500	38,400	39,300	0.1	-0.8
Wholesale and Retail Trade	159,300	158,600	158,500	0.7	0.8
Finance, Insurance and Real Estate	33,000	32,800	32,800	-0.2	0.2
Service	124,200	123,300	121,900	0.9	2.3
Government	181,600	182,000	184,900	-0.4	-3.3
Unemployment Rate (Per Cent Labor Force)	11.4	11.7	10.5	—	—
Average Weekly Earnings in Manufacturing (Dollars)	258.33	257.67	245.88	0.3	5.1
Average Hourly Earnings in Manufacturing (Dollars)	6.59	6.59	6.37	0	3.5
Average Weekly Hours in Manufacturing	39.2	39.1	38.6	0.3	1.6
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,669	2,774	2,647	-3.8	0.8
Gasoline Delivered to Dealers (gals.) ⁶	88,347	98,230	105,173	-10.1	-16.0
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	8,300	7,500	9,700	1.1	-1.4
Construction Loans	4,700	3,700	1,600	2.7	1.9
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	1,584,031	1,697,280	1,549,183	-6.7	2.2
RETAIL SALES (000's)⁹					
	1,156,092	1,161,114	1,320,524	-0.4	-12.5
Indicator	December 1982	November 1982	December 1981	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹⁰					
Total Cash Receipts from Farm Marketings	382,802	455,633	261,382	-16.0	46.5
Cash Receipts from Marketing Livestock	58,029	67,595	67,681	-14.2	-14.3
Cash Receipts from Marketing Crops	324,773	388,038	193,702	-16.3	67.7

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for November

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock-Total for number of condominiums and 1-4 family homes

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹Mississippi Tax Commission

¹⁰U.S. Department of Agriculture

EDITOR'S NOTE: *In the Insurance Industry Sales, Face Amount by State, District of Columbia, December, 1982 Table on the back page the heading December, 1981 should read January thru December, 1981. This column indicates the total for that year.*

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month March	PerCent Month Ago	Change Year Ago	Current Month March	Month Ago	Year Ago
Aberdeen	51,152	36.1	14.0	36,600	204,650	29,100
Baldwyn	22,627	19.5	33.7	---	---	---
Batesville	47,268	2.5	-4.1	---	---	---
Bay Springs	17,977	-0.4	1.9	---	---	---
Bay St. Louis	36,629	0.5	-0.9	---	---	---
Belmont	8,234	-0.9	0.1	---	---	---
Belzoni	24,739	2.1	0.7	15,500	39,300	153,440
Biloxi	242,199	0.8	-0.2	5,840,801	1,348,110	1,766,318
Brandon	33,289	-0.9	-2.1	929,725	---	---
Brookhaven	96,226	-0.8	-1.5	109,500	160,000	108,325
Brooksville	2,565	1.8	3.0	---	---	---
Canton	52,363	-0.6	-0.4	---	---	---
Carthage	34,935	0.6	-0.1	33,500	9,500	21,200
Charleston	16,842	0.9	1.7	---	---	---
Clarksdale	103,240	-0.1	-1.3	104,470	104,400	103,000
Cleveland	76,552	-0.5	-1.0	---	---	---
Collins	22,803	0.1	-2.8	-0.1	177,000	-0.1
Columbia	80,511	0.2	-0.3	---	---	---
Columbus	201,944	-0.1	-0.4	604,043	1,659,321	275,112
Corinth	99,367	-0.2	-0.6	86,600	---	---
Crystal Springs	24,359	-1.4	1.7	151,000	18,000	17,000
Drew	9,382	0.4	0.8	---	---	---
Edwards	2,704	-0.3	-3.0	---	---	---
Ellisville	17,265	-1.0	1.6	---	---	---
Eupora	14,404	-2.5	4.2	---	---	---
Fayette	7,046	-24.4	-19.1	---	---	---
Forest	42,544	-1.4	12.3	36,000	---	---
Greenville	210,766	-3.7	-11.1	---	---	---
Greenwood	135,564	7.6	-3.5	---	---	---
Grenada	71,820	-2.4	-16.3	131,000	92,000	218,000
Gulfport	265,914	14.8	5.4	2,004,392	746,730	---
Hattiesburg	317,575	-5.8	-0.6	2,330,544	---	---
Hernando	18,548	-5.4	-20.0	604,388	---	---
Hollandale	11,540	-2.8	42.0	---	---	---
Holly Springs	35,407	5.9	-8.3	77,000	---	---
Houston	38,968	28.8	49.2	10,000	102,156	17,800
Indianola	49,922	-10.8	-19.3	---	---	---
Iuka	23,312	3.4	-7.7	---	---	---
Jackson	1,226,251	-6.4	-13.1	5,740,890	---	---
Kosciusko	46,976	3.1	-6.0	47,000	75,000	166,200
Laurel	248,109	-4.8	-41.5	994,324	238,746	1,767,572
Leland	16,741	0.7	-10.5	57,827	80,975	38,700
Lexington	16,196	-18.0	-11.0	---	---	---
Louisville	38,143	-9.5	-11.3	124,384	---	---
Lucedale	27,841	-1.3	-10.3	1,000	57,000	63,000
Lumberton	7,893	4.6	-18.4	---	---	---
Macon	14,404	8.1	5.3	---	---	---
Mages	36,986	-0.6	-13.9	---	---	---
Magdonolia	11,573	44.4	70.2	11,000	48,000	---
Marks	13,408	6.0	-0.5	---	---	---
McComb	114,721	5.6	-4.3	79,999	128,348	1,137,454
Meadville	3,001	-32.5	-35.0	---	---	---
Mendenhall	17,670	6.2	9.7	40,000	30,400	---
Meridian	327,621	8.6	-3.1	1,090,906	577,081	1,274,046
Monticello	16,412	-7.8	4.6	45,000	45,000	33,000
Morton	17,916	6.6	-1.1	---	---	---
Moss Point	57,416	31.0	-2.4	257,000	182,873	107,250
Natchez	200,235	16.4	-11.3	396,530	443,301	263,785
New Albany	46,701	-2.6	-17.3	530,303	40,685	---
Newton	21,690	3.2	12.5	92,500	200,000	59,196
Ocean Springs	64,706	-5.9	-14.2	---	---	---
Okolona	12,604	9.6	-17.6	31,500	10,500	---
Oxford	80,685	-10.0	-3.8	461,277	934,906	81,995
Pascagoula	172,167	-2.4	-10.6	---	---	---
Pass Christian	14,219	17.1	15.1	---	---	---
Philadelphia	50,374	1.0	-2.6	---	---	---

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month March	PerCent Month Ago	Change Year Ago	Current Month March	Month Ago	Year Ago
Picayune	73,207	-2.3	-12.5	675,628	1,271,000	---
Pontotoc	44,024	31.9	30.4	---	---	---
Poplarville	14,508	1.1	-1.8	68,500	---	5,500
Port Gibson	13,136	-11.9	-13.2	---	---	---
Prentiss	18,737	3.2	-9.7	573,675	---	7,000
Quitman	21,849	7.4	-13.7	---	---	---
Quitman	3,578	0.8	-7.1	---	---	---
Raymond	7,914	-4.0	-7.2	30,000	---	---
Richton	6,166	-13.9	-14.0	---	---	---
Rosedale	9,994	19.5	44.3	---	---	---
Ruleville	14,862	9.5	15.5	19,000	-0-	4,000
Sardis	38,051	-3.3	-7.6	146,520	393,300	5,685
Senatobia	7,849	-0.4	1.9	---	---	---
Shelby	88,576	-7.3	-11.1	598,500	253,800	124,345
Summit	8,062	-13.1	-25.0	---	---	---
Talorsville	9,719	-6.9	-3.3	---	---	---
Tchula	3,472	-2.9	0.7	---	---	---
Tunica	12,803	-1.7	-1.8	---	---	---
Tupelo	297,639	7.6	-0.2	1,023,027	532,295	916,650
Union	11,985	17.3	-13.7	---	---	---
Utica	8,262	1.7	16.5	---	---	---
Vicksburg	180,265	-3.4	3.2	464,610	1,400,095	332,714
Walnut Grove	1,727	18.3	17.6	---	---	---
Water Valley	19,588	-2.3	6.5	---	---	---
Waynesboro	77,675	64.7	43.5	89,000	128,200	16,585
West Point	47,374	-1.5	-7.7	---	---	---
Wiggins	21,358	-0.2	0.7	43,000	20,000	118,600
Winona	25,705	-5.1	-7.8	---	---	---
Yazoo City	52,563	-1.2	-13.8	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	March 1983	February 1983	March 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	158,000	156,400	158,200	1.0	-0.1
Unemployed Persons	11,700	12,300	11,400	-4.9	2.6
Per Cent of Labor Force	7.4	7.9	7.2	---	---
Employed Persons	146,300	144,100	146,800	1.5	-0.3
Non-Ag Wage & Salaries	125,600	124,300	126,700	1.1	-0.9
Manufacturing	19,000	18,700	18,300	1.6	3.8
CITY SALES TAX COLLECTIONS	1,274,084	1,361,829	1,468,370	-6.4	13.2
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
	March 1983	February 1983	March 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	69,710	69,730	68,050	-0.0	2.4
Unemployed Persons	7,820	8,150	5,820	-4.1	39.2
Per Cent of Labor Force	11.2	11.7	8.3	---	---
Employed Persons	61,890	61,580	62,430	0.5	-0.9
Non-Ag Wage & Salaries	52,270	52,190	53,080	0.1	-1.5
Manufacturing	9,170	9,080	8,890	1.0	3.2
CITY SALES TAX COLLECTIONS	522,332	468,144	512,378	11.6	1.9

Annual Wages of Workers Covered by Mississippi Employment Security Law For Years, 1980 and 1981.

SOURCE: Mississippi Employment Security Commission.
computations made by Division of Business Research, Col-
lege of Business and Industry, Mississippi State University.

County	1980	% of State	% of Change	1981	% of State	% of Change
Adams	196,916	2.29	10.49	222,089	2.35	12.78
Alcorn	135,834	1.58	2.48	148,881	1.57	9.61
Amite	19,011	0.22	6.14	21,323	0.23	12.16
Attala	41,240	0.48	0.54	42,222	0.45	2.38
Benton	6,604	0.08	12.37	6,865	0.07	3.95
Bolivar	111,751	1.30	6.41	119,310	1.26	6.76
Calhoun	32,549	0.38	7.33	33,690	0.36	3.51
Carroll	7,680	0.09	16.04	7,839	0.08	2.39
Chickasaw	59,606	0.69	3.06	65,177	0.69	9.35
Choctaw	17,341	0.20	19.13	16,888	0.18	-2.61
Ciabioma	110,503	1.28	-9.82	135,823	1.44	22.91
Clarke	47,247	0.55	12.56	50,588	0.54	7.07
Clay	84,277	0.98	9.98	92,041	0.97	9.21
Coahoma	99,796	1.16	6.72	104,446	1.10	4.66
Copiah	56,254	0.65	8.83	57,567	0.61	2.35
Covington	31,553	0.37	10.58	32,167	0.34	1.95
DeSoto	121,956	1.42	15.17	133,315	1.41	9.31
Forrest	290,201	3.37	10.12	309,221	3.27	6.55
Franklin	12,517	0.15	12.04	13,501	0.14	7.86
George	21,187	0.25	17.73	21,714	0.23	2.49
Greene	9,436	0.11	4.72	8,931	0.09	-5.35
Grenada	83,127	0.97	.82	89,262	0.94	7.38
Hancock	65,448	0.76	19.43	73,495	0.78	12.30
Harrison	436,919	5.08	14.94	488,949	5.17	11.91
Hinds	1,483,456	17.24	9.51	1,603,208	16.96	8.08
Holmes	36,251	0.42	10.90	38,083	0.40	5.05
Humphreys	23,932	0.28	14.24	27,823	0.29	16.26
Issaquena	2,130	0.02	24.71	2,515	0.03	18.08
Itawamba	42,588	0.49	5.41	45,849	0.48	7.66
Jackson	564,909	6.57	-1.84	633,942	6.70	12.22
Jasper	32,991	0.38	11.88	35,561	0.38	7.79
Jefferson	10,769	0.13	9.23	13,508	0.14	25.43
Jeff Davis	17,888	0.21	7.90	18,164	0.19	1.54
Jones	247,222	2.87	11.90	286,716	3.03	15.98
Kemper	11,449	0.13	11.88	12,103	0.13	5.71
Lafayette	91,166	0.95	9.29	97,100	1.03	6.51
Lamar	34,392	0.40	10.47	42,479	0.45	23.51
Lauderdale	290,391	3.37	6.99	312,749	3.31	7.70
Lawrence	35,296	0.41	13.89	37,442	0.40	11.75
Leake	30,908	0.36	9.59	35,077	0.37	13.49
Lee	314,910	3.66	3.94	337,895	3.57	7.30
Leflore	130,384	1.52	4.97	140,837	1.49	8.02
Lincoln	82,918	0.96	4.86	86,647	0.92	4.50

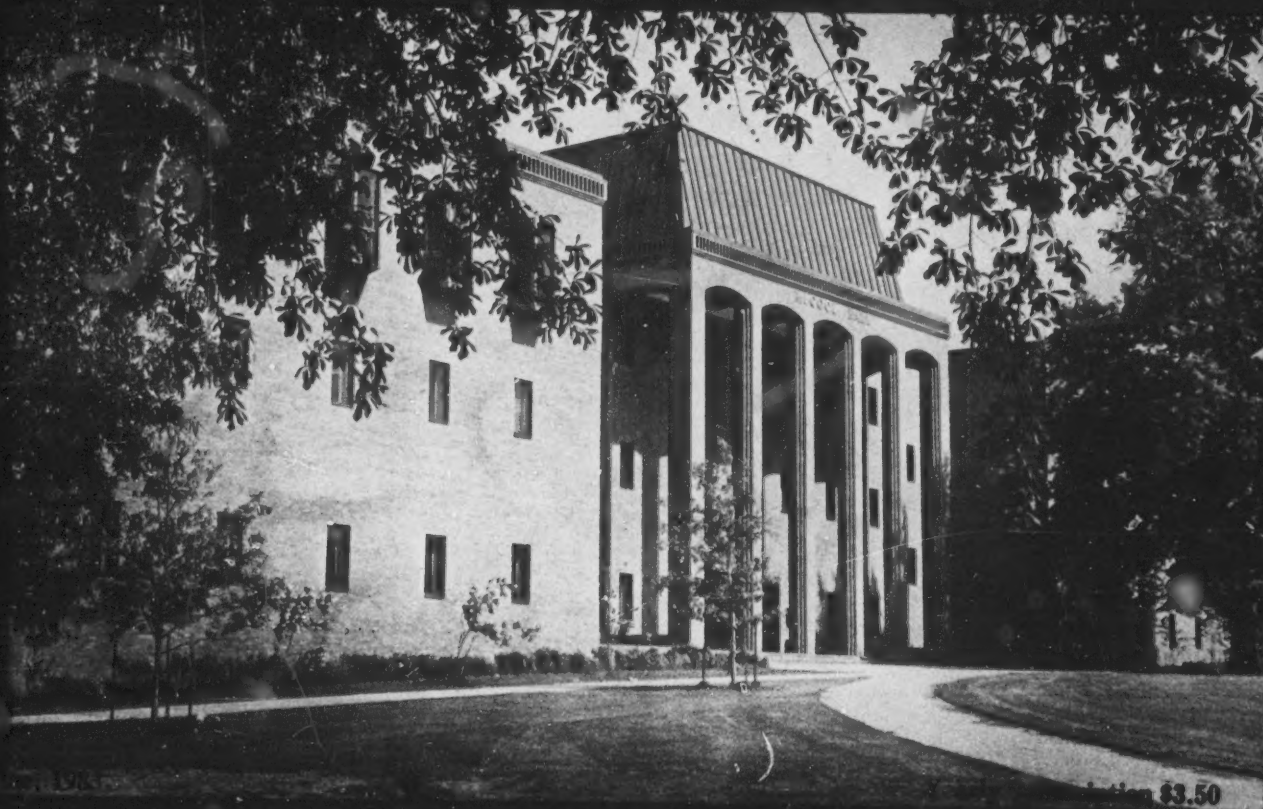
County	1980	% of State	% of Change	1981	% of State	% of Change
Lowndes	217,732	2.53	8.71	234,627	2.48	7.68
Madison	79,893	0.93	10.02	89,936	0.95	12.57
Marion	67,447	0.78	12.50	72,755	0.77	7.87
Marshall	46,325	0.54	10.63	50,092	0.53	8.13
Monroe	107,007	1.24	11.59	120,194	1.27	12.32
Montgomery	22,277	0.26	6.94	23,233	0.25	4.29
Neshoba	61,204	0.71	4.96	67,688	0.72	10.59
Newton	43,497	0.51	5.80	48,392	0.51	11.25
Noxubee	19,553	0.23	5.07	20,910	0.22	6.94
Oktibbeha	111,577	1.30	11.40	124,289	1.31	11.39
Panola	62,650	0.73	4.74	66,187	0.70	5.65
Pearl River	55,965	0.65	9.37	64,126	0.68	14.58
Perry	17,957	0.21	4.73	17,898	0.19	-0.33
Pike	97,336	1.13	4.80	105,141	1.11	8.02
Pontotoc	46,994	0.55	3.14	51,733	0.55	10.08
Prentiss	52,280	0.61	2.19	56,182	0.59	7.46
Quitman	20,885	0.24	14.66	21,419	0.23	2.56
Rankin	213,430	2.48	12.39	243,388	2.57	14.04
Scott	66,747	0.78	6.29	74,631	0.79	11.81
Sharkey	18,969	0.22	13.00	21,831	0.23	15.09
Simpson	52,371	0.41	-0.83	54,234	0.57	3.56
Smith	33,020	0.38	5.74	35,265	0.37	6.80
Stone	28,907	0.34	-16.23	30,475	0.32	5.42
Sunflower	84,926	0.99	8.29	91,615	0.97	7.88
Tallahatchie	22,394	0.26	12.47	21,904	0.23	-2.19
Tate	44,236	0.51	9.14	47,246	0.50	6.80
Tippah	49,561	0.58	16.21	3,321	0.48	5.33
Tishomingo	63,113	0.73	31.38	74,615	0.79	18.22
Tunica	17,095	0.20	11.91	18,168	0.19	6.28
Union	65,128	0.76	15.27	73,084	0.77	12.22
Walthall	20,169	0.23	10.53	22,367	0.24	10.90
Warren	181,445	2.11	11.32	193,827	2.05	6.82
Washington	260,563	3.03	9.11	276,813	2.93	6.24
Wayne	42,095	0.49	9.74	45,874	0.49	8.98
Webster	22,160	0.26	2.35	24,485	0.26	10.49
Wilkinson	20,642	0.24	31.38	23,010	0.24	11.47
Winston	48,472	0.56	-0.02	53,424	0.57	10.22
Yalobusha	36,947	0.43	28.93	42,806	0.45	15.86
Yazoo	70,051	0.81	12.40	75,775	0.80	8.17
Other	428,354	4.98	5.59	515,565	5.45	20.38
State Total	8,604,423	—	7.92	9,454,789	—	9.88



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Defined Benefit Pension Plans: Are They Worth the Cost?

By
Mitzi Green
and

Dr. Carole Cheatham

Although most large companies and nonprofit organizations have some type of pension plan for their employees, many smaller firms have not made similar provisions for their employees. The advantages of having a pension plan include retirement security for the employees and tax advantages for both employer and employee. In light of these advantages many owners of even relatively small firms are considering the installation of pension plans. There are benefits to be received even by small retail businesses and organizations of professionals such as doctors, lawyers, dentists and accountants.

The question to be answered by the owners of small firms is whether or not a pension plan is worth the expense and effort of installing and maintaining such a plan. In short, do the benefits outweigh the costs? Although it is impossible to answer this question for an individual firm without an analysis of their particular employment and tax situation, it is possible to identify the types of costs that will be incurred. The purpose of this article is to briefly outline the procedure for installing and maintaining a pension plan and to discuss the costs that may be involved.

What Type of Plan?

The Employee Retirement Income Security Act (ERISA) of 1974 allows for three types of pension plans: defined benefit, defined contribution, and individual retirement accounts (IRAs). A defined benefit plan promises a specified monthly benefit at retirement. Age, earnings, and years of service are the factors which usually determine the amount of the defined benefit. Defined contribution plans feature a predetermined contribution with the benefits determined by how well the investment fund performs. Employees' claims vest immediately; and factors such as age, earnings and years of service have no direct bearing on benefits. IRAs are personal-type pension plans which yield the same kind of tax advantages to an employee as they do for employers with corporate pension plans.¹ The focus of this article is on defined benefit plans because of their wide use and because of the security that they offer to

employees. Defined benefit plans now cover over 36 million workers.²

How Is a Plan Installed?

The preparation of the necessary legal documents is the first step in installing a defined benefit pension plan. The employer's attorney has the responsibility for preparing and/or approving these documents. An insurance company may be used to accumulate and maintain the pension fund assets. Corporate trustees are funding agencies other than insurance companies which could be used by the employer, such as corporate fiduciaries and individuals acting as trustees.

One particular legal document which is essential in setting up the plan is a form which explains all the provision of the plan. This document may be in the form of a plan instrument, trust agreement, or group contract. A trust agreement is necessary when a company has a trust fund plan or a plan which uses individual insurance or annuity contracts along with a conversion fund. A group contract is utilized with a group pension program. If neither a trust agreement nor a group contract is used, a plan instrument must be used. Also, a plan instrument can be used in addition to the trust agreement and/or group contract. No matter what form it takes, the plan provisions must be in writing for several reasons, one of which is to meet qualified status for the Internal Revenue Service's guidelines.

Once the appropriate legal document(s) are prepared, the employer usually must secure the approval of the Board of Directors and/or stockholders. A committee of stockholders may be appointed to oversee the pension plan activities. The employer should announce the initiation of the pension plan by issuing a letter or by some type of booklet which includes the pertinent details. Enrollment forms can be provided for the employees to use in signing up for the plan. Refusal forms can be used to allow employees to decline participation in the plan. A certificate or other evidence of participation in the plan may be issued to employees enrolled.

A plan administrator must be specified once the plan is installed. This is necessary so that the one who

has overall responsibility for the plan can be distinguished. Unless otherwise specified, the employer company will be known as the plan administrator. Within the company, a particular individual or committee may be designated to be plan administrator.

Once a plan is installed, then the employer begins to make contributions to the plan. One important tax consideration is that the plan should be adopted by the close of the company's fiscal year so that the company receives a deduction for the initial contribution made to the pension fund. However, the contribution itself does not have to be made until the tax return is filed.¹

Who Participates in the Plan?

Particularly in the case of small firms, it is natural for the owners to desire a plan that will benefit key employees. However, an employer has to be very careful in satisfying the law when its pension plan only covers a particular segment of employees and not all employees. Although it may be legal to exclude specific classes of employees and/or specific employer occupations and/or specific locations of employees, discrimination can be presumed if the employer does not follow prescribed law. Discrimination in favor of a particular segment of employees can deny the employer the right to a tax deduction for contributions to the plans.

According to ERISA, an employee becomes eligible as a participant in the pension plan after one year's service. To be credited for one year of service, an employee must work 1,000 hours beyond the date of employment. An hour has been defined as any hour for which the employee is entitled to be compensated, whether for work time, vacation, or sick leave. In less than 1,000 hours are worked in a given employment year, the employer does not have to give any credit for service time for that particular period. Hours of service can be determined by counting actual hours worked or by other methods that approximate actual hours, provided the method used is nondiscriminatory. Once an employee has been credited with one year's service and reached the age of 25, he or she cannot be denied eligibility as a participant.

Determination of what benefits an employee will be entitled to requires the use of a defined benefit formula. The formula allows the employer to calculate a specific, defined benefit for each employee participant based primarily on length of service and/or level of earnings. The employers contribution to the pension fund is calculated based on the amount needed to accumulate the desired amount of defined benefits.

The earnings base in the defined benefit formula is normally the basic compensation which the employee

has earned. Basic compensation excludes bonuses, incentive pay, and any other form of pay which is not ordinary in nature. Special problems exist for employers with commission-paid employees. The employer may or may not use basic pay depending on the fluctuation of paid commissions. The earnings base may utilize a career average or the average earning over a shorter period of time, such as the last three years just prior to retirement.

The employer has a choice of four defined benefit formulas; one formula can be used in conjunction with another. The four choices are a flat amount, a percentage of earnings, an amount per year of service or a percentage of earnings per year of service. Another possibility is a formula which integrates the calculation of retirement benefits under the pension plan with social security benefits.

Death benefits can be provided by the employer to the appropriate beneficiaries if the employer decides to have this as part of the plan provision. ERISA requires that terminating employees—outside of the retirement situation—have a right to receive vested benefits after a reasonable period of service which is specified in the law.

How Is a Plan Maintained?

Except in unusual circumstances, the greatest cost of a pension plan to the employer is the cost of contributions made to the pension fund on behalf of the employees. Considerations of who will participate in the plan and how benefits will be calculated are of the utmost importance because these factors will determine the major cost of the plan. The contribution for a fully insured pension plan is the sum of the premiums due to current participant coverage plus the additional premiums on any new participants or benefit increases, less any employer credits. In this case, the insurance company calculates the amount of the premiums. If a plan is only partially insured or non-insured, contributions must be calculated by some type of actuarial valuation. The employer has the responsibility to compile the necessary information that the actuary will need. Extensive records must be kept for this purpose as well as for other purposes. This is one of the major areas to which a company must commit itself because the records will serve as the basis of documentation for all areas of the pension plan.

In order to receive a tax deduction for pension fund contributions, the employer must file an annual report, called the Form 5500 package, with the Internal Revenue Service within seven months after the close of

each year. Also, an information return, the Treasury Department Form 1099R, must be filed for any recipient of a lump-sum payment or distribution from the trust in any calendar year. Another information return, the Treasury Department Form W-2P, must be filed whenever distributions are in the form of periodic payments.

Another important aspect of maintaining the plan is keeping adequate records for satisfying governmental regulations, particularly ERISA. Adequate records would include the following:

- (1) The names and addresses of all individuals who are involved with the maintenance of the plan—such as the plan administrator, the insurance company, the trustees, the attorney, and the accountant.
- (2) A complete history of the pension fund receipts and disbursements;
- (3) A listing of the pertinent, important plan provisions for easy reference;
- (4) A file consisting of resolutions, letters, legal documents, minutes and other records which support and verify actions made concerning the plan;
- (5) Detailed records on each employee participant; and
- (6) The calculations used in determining the amount of benefits allocable to each employee so that consistency can be maintained.

Although the contributions made to the pension plan fund are the major cost of maintaining a plan, the cost of keeping adequate records is probably the most underestimated cost of maintenance. Many employers who are contemplating installation of a pension plan fail to recognize the sheer volume of records that must be kept to satisfy the Internal Revenue Service and ERISA regulations.

What Does ERISA Require?

One aspect of maintaining a plan is to adequately communicate the pension benefit information to the employee participants. By issuing booklets, posting bulletin board announcements, holding meetings, and providing counseling assistance, the employer can maintain good employee relations. Since ERISA was enacted, it is now required by law to periodically inform pension plan participants of their rights and accrued benefits.

One disclosure requirement of ERISA is a summary plan description which describes all the features of the company's pension plan. The presentation must be in

such a way as to be understood by the average plan participant and not in any way be misleading. Also, if the pension plan has 500 or more employees who are literate only in a language other than English, or if ten percent or more of the participants (25 percent if the plan has fewer than 100 participants) who work at a particular place of business are only literate in a language other than English, an enclosed prominent notice in the familiar language needs to be given offering assistance to the employees in understanding the plan. The description must be up-to-date in its information concerning requirements; new, complete summary descriptions must be compiled and distributed at least every ten years and possibly every five years if there have been material changes. At the same time, a copy must be sent to the Department of Labor. A summary plan description must be distributed to new employees within 90 days after becoming participants and to beneficiaries within 90 days after they start receiving benefits.

As mentioned above, the annual report or Form 5500 package must be filed with the Internal Revenue Service each year. The same report is also sent to the Department of Labor and the Pension Benefit Guaranty Corporation. The particular Form 5500 to be used with the defined benefit plan depends on the number of participants. The Form 5500 is the basic annual report and return form that must be used by pension plan with 100 or more participants at the beginning of the plan year. Form 5500-C is a short form report used when fewer than 100 participants, none of whom is an owner-employee, are in the plan as of the beginning of the year. Form 5500-K is used when fewer than 100 participants, one of whom is an owner-employee, are in the plan as of the beginning of the year. Form 5500-R is a recent new form which is a very short form that can be used for plans with less than 100 participants two of every three years.

The annual report or Form 5500 should include all financial information relevant to the operation of the plan. A financial statement of the pension plan assets and liabilities presented at their current value and a financial statement of changes in these assets and liabilities during the year are included in the package form. Also, a statement of receipts and disbursements is provided to explain the pertinent transactions of the pension fund. Some of the financial statements must be certified by an independent and qualified public accountant. Form 5500-C does not require the certification of an accountant. Any pension plan changes should be also be included in the annual report with information on any employees included or excluded from the plan.

Each plan participant and beneficiary must be an-

nually informed of the financial status of the pension plan. Therefore, a summary annual report must be automatically sent to them within two months after the Form 5500 is filed. Prescribed language has been provided by The Department of Labor for the summary annual report.

Other disclosure requirements have also been necessary because of ERISA. A summary of material modification report—which should adequately and clearly explain a material, or significant, modification or amendment to the pension plan—must be automatically distributed to plan participants and beneficiaries and filed with the Department of Labor. The employer must furnish, upon request, any of the plan documents which represent the agreement(s) under which the plan was established and continues to operate. Any terminating employee who has a vested interest in his or her plan benefits is entitled to be given a clear statement of the accrued, vested benefits. The employer must also provide clear statements to those employees who terminated and did not have vested benefits. Written explanations of claims denials must be furnished to affected participants.

What Does the Internal Revenue Service Require?

In most cases an employer could not afford to maintain a pension plan unless there were tax benefits associated with the plan. The tax benefits to employers and employees include:

- (1) Contributions that are made by the employer to the pension plan, within limitations, are deductible as a business expense under Section 404 of the Internal Revenue Code;
- (2) Investment income which is earned on the contributions is not normally subject to federal income tax until paid as benefits to the retirees or beneficiaries;
- (3) Benefits to the retirees or beneficiaries will not be considered taxable income until actual distribution or availability;
- (4) Death benefits paid for an employee are not considered part of the employee's gross estate for federal estate tax purposes to the extent of the amount of employer contributions and to the extent paid to a named personal beneficiary; and
- (5) Lump-sum distributions made to any employee for severance pay or after the employee is age 59½ will be taxed favorably.

In order to gain these tax benefits, the firm must meet the requirements of the Internal Revenue Code for qualified status. The general requirements of a qualified plan are:

- (1) The plan must be for the exclusive benefit of employees or their beneficiaries;
- (2) The plan cannot discriminate in any way in favor of officers, stockholders or highly compensated employees, although these parties may participate in the plan if they are bona fide employees;
- (3) The plan must be in writing and must state the necessary provisions for qualification;
- (4) The plan must be communicated to employees;
- (5) The employer must not be able to divert or recapture contributions made to the plan—funds must be used for the exclusive benefit of employees or their beneficiaries;
- (6) Definitely determinable benefits must be provided by the plan;
- (7) It is expected that the plan will be permanent in nature, although an employer does have the right to amend or terminate the plan;
- (8) A limited amount of death benefits can be included in the plan; and
- (9) Minimum vesting requirements must be satisfied on behalf of the employees—full vesting must be met when an employee attains normal retirement age.

An advance determination letter, or an approval letter, is provided by the Internal Revenue Service to the employer upon setting up a defined benefit pension plan. The purpose of the letter is to show that qualified status has been granted to the employer. An employer is not required to obtain an advance determination letter but the consequence of not having one may be that the Internal Revenue Service will find fault with the plan.

What Does the Pension Benefit Guaranty Corporation Require?

The Pension Benefit Guaranty Corporation (PBGC) was created by ERISA to provide insurance coverage for participants and their beneficiaries under a defined benefit pension plan against the loss of pension benefits if the plan should be totally or partially terminated. This insurance coverage is provided by the employer paying annual premiums of \$2.60 per plan participant. In addition to paying the premium, the employer is also required to meet several reporting and disclosure requirements.

The PBGC has the authority to terminate a defined benefit plan. This is labeled as an involuntary termination. The particular circumstances which could warrant such action if the PBGC so decides are:

- (1) If the plan does not comply with the minimum funding standards of the Internal Revenue Code;
- (2) If the plan is unable to pay benefits when due;
- (3) If within the past two years a distribution of \$10,000 or more has been made to a substantial owner of the employer firm for reasons other than death and after the distribution there are unfunded liabilities; and
- (4) If the PBGC determines that it will incur substantial losses if the plan is not terminated.

The employer can voluntarily terminate the plan if all benefit accruals have stopped and/or if the employer has discontinued all contributions to the plan.

The recent wave of business failure and financially troubled businesses has caused PBGC to have to take over the pension obligations of several companies. Because of these increase obligations, the PBGC has asked for a premium increase of \$3.40 per plan participant.⁴ Should they receive this premium increase, the cost to companies having pension plans will increase substantially.

Many observers feel that PBGC itself is in financial jeopardy because of its increased obligations. For example, Braniff International needed at least \$164 million to pay its employees after filing for bankruptcy. It was insured by the PBGC. White Motor Company transferred \$56 million to the PBGC recently. Rath Packing Company, a long-troubled Iowa meat processor, has an unfunded liability of \$41 million for the PBGC to assume. In addition, small plans—130 in the last eleven months—have because of business failure transferred their obligation to the PBGC. The forecast for the future also seems dim in that more business failures are likely. All of this could threaten the PBGC's ability to carry out its responsibilities.⁵

Do Benefits Outweigh Costs?

Arthur Andersen and Company conducted a study in 1978 of 48 large employers in the nation to analyze the reporting and disclosure requirement of ERISA. They determined that the added administrative costs approximated 9 million dollars. Extrapolation indicated that for all plans the added costs approximate 100 million dollars. However, their study did not consider the benefits achieved as a result of the above costs to deter-

mine whether the plans were effective and efficient in their operation.⁶

Although the cost of reporting and disclosure for ERISA are large and troublesome, they are by no means the total cost of installing and maintaining a defined benefit pension plan. As outlined in this article, the cost involved with such a plan include:

- (1) The cost of setting up the pension plan, including outside professional assistance—such as accountants, attorneys, and actuaries—and a considerable amount of report-making to the proper governmental agencies.
- (2) Costs of recordkeeping and disclosures to employees, beneficiaries, and government agencies as required by ERISA.
- (3) Costs of recordkeeping and report-making required to maintain qualified status under Internal Revenue Service regulations.
- (4) Other administrative costs associated with maintaining a well-ordered fund and assuring that employees receive benefits as due.
- (5) Costs of the insurance premiums to the Pension Benefit Guaranty Corporation and making the necessary disclosure to this agency.
- (6) Costs of making contributions to the pension fund which are somewhat offset by tax deductions.

Employers who are contemplating the installation of a pension plan for the tax benefits and/or the welfare of employees, are urged to carefully examine the costs of such a plan to determine whether the benefits exceed the costs involved.

FOOTNOTES

¹Steven S. Goldberg, *Pension Plans Under ERISA* (New York: Practising Law Institute, 1976), p. 18.

²Geoffrey Colvin, "How Sick Companies are Endangering the Pension System," *Fortune*, October 4, 1982, p. 72.

³Everett T. Allen, Jr., Joseph J. Melone, and Jerry S. Rosenbloom, *Pension Planning for Pension, Profit Sharing and Other Deferred Compensation Plans*, (Homewood, Illinois: Richard D. Irwin, Inc., 1981), p. 145.

⁴"News," *Pension Benefit Guaranty Corporation News Release*, PBGC No. 82-19, May 19, 1982.

⁵Colvin, p. 72.

⁶Hearings before the Sub-committee on Labor of the Committee on Labor and Human Resources, United States Senate, Ninety-Seventh Congress, first session on Senate Bill 1541, November 4, 9, 12, 1981, and January 26, 1982, p. 20.

U.S. Financial Data from Federal Reserve Bank of St. Louis

Over the last 12 months, the yield on tax-exempt municipal bonds has fallen relative to yields on bonds subject to federal income taxes. For example, from April 1982 to April 1983, the municipal bond rate fell about 350 basis points, while the corporate Aaa bond rate fell about 300 basis points. The ratio of the municipal bond rate to the corporate bond rate should remain constant if tax, risk and maturity considerations remain unchanged.

The table below shows, however, that the ratio of these two yields rose from 1980 to 1982. It is likely that part of this increase was due to features of the 1981 tax act, which introduced tax preferential instruments, such as the All Saver's Certificate and the Individual Retirement Account. These instruments had tax advantages similar to municipal bonds, and their introduction may have induced some investors away from the municipal bond market, driving up the rate on these investments relative to rates on taxable bonds. In contrast, the cessation of the All Saver's Certificates in December 1982 may have forced some investors back into the municipal bond market, driving the municipal bond rate down relative to taxable yields.

Scott E. Hein

Yields on Municipal and Corporate Aaa Bonds

<u>Period</u>	<u>Corporate Aaa bond rate</u>	<u>Municipal bond rate</u>	<u>Ratio of municipal bond rate to corporate Aaa bond rate</u>
April 1977	8.04%	5.73%	0.713
April 1978	8.56	5.80	0.678
April 1979	9.38	6.29	0.671
April 1980	12.04	8.63	0.717
April 1981	13.88	10.62	0.765
April 1982	14.46	12.59	0.871
April 1983	11.51	9.05	0.786

Mississippi Farm Market News

May Prices June 1, 1983

The May 15, 1983 Index of Prices Received by Mississippi farmers for all commodities was unchanged from the previous month at 108 percent of its January-December 1977 average, according to the Mississippi Crop and Livestock Reporting Service.

Decreases in soybean prices were responsible for the 2 point (2 percent) decline in the **All Crops Index** leaving it at 91 percent of its January-December 1977 average.

Increases in calf, broiler, and dairy prices were responsible for the 2 point (2 percent) rise in the **Livestock Products Index** leaving it at 131 percent of its January-December 1977 average.

The May ratio of prices received by Mississippi farmers to U.S. prices paid was 68 percent of its January-December 1977 average. The Index of Prices Paid by Farmers for Commodities and Services, Interest, Taxes and Farm Wage Rates for May was 160, 1 point (1 percent) above mid-April.

MISSISSIPPI AND U.S. INDEX NUMBERS 1977 = 100

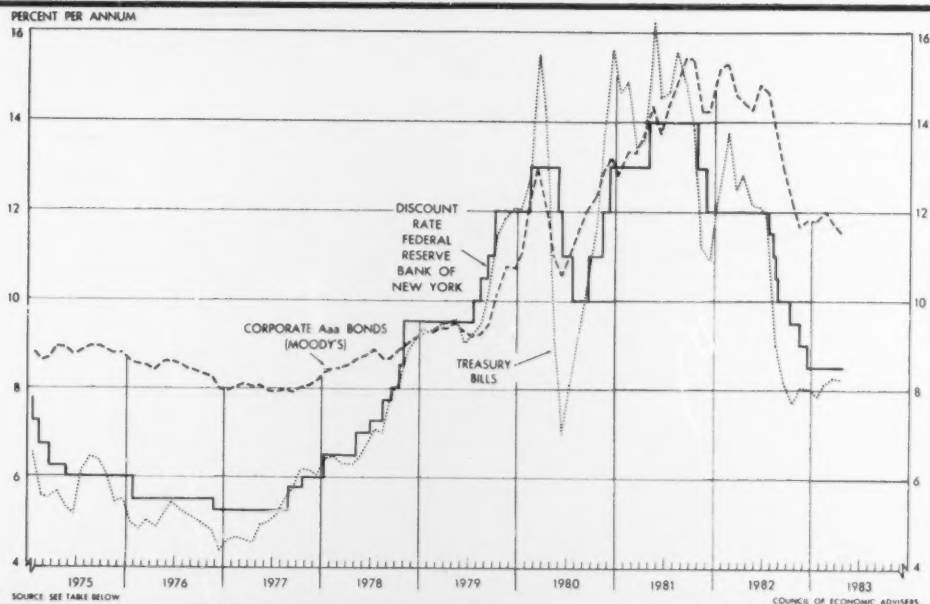
GROUP	May 15 1982	Apr. 15 1983 ¹	May 15 1983
MISSISSIPPI			
All Commodities	110	108	108
All Crops	93	93	91
Oil Bearing	90	87	85
Cotton	99	97	97
Livestock & Livestock Products	133	129	131
Meat Animals	167	167	168
Poultry	103	97	98
Dairy	136	135	136
Ratio of Prices Received to Paid ²	71	68	68
UNITED STATES			
Prices Received	139	136	137
Prices Paid, Interest, Taxes & Wage Rates	156	159	160
Parity Ratio ³	89	86	86

¹Revised. ²Ratio of Miss. Prices Received to U.S. Prices Paid. ³Ratio of Index of Prices Received by Farmers to Index of Prices Paid, Interest, Taxes and Farm Wage Rates.

SOURCE: Mississippi Crop and Livestock Reporting Service, Jackson, Miss.

INTEREST RATES AND BOND YIELDS

Most interest rates fell during April.



[Percent per annum]

Period	U.S. Treasury security yields			High-grade municipal bonds (Standard & Poor's) ³	Corporate Aaa bonds (Moody's)	Prime commercial paper, 6 months ⁴	Discount rate (N.Y. F.R. Bank) ⁵	Prime rate charged by banks ⁶	New-home mortgage yields (FHLEB) ⁷
	3-month bills ¹	Constant maturities ²							
		3-year	10-year						
1977	5.265	6.69	7.42	5.56	8.02	⁴ 5.61	5.46	6.83	9.02
1978	7.221	8.29	8.41	5.90	8.73	⁴ 7.99	7.48	9.06	9.56
1979	10.041	9.72	9.44	6.39	9.63	10.91	10.28	12.67	10.78
1980	11.506	11.55	11.46	8.51	11.94	12.29	11.77	15.27	12.66
1981	14.077	14.44	13.91	11.23	14.17	14.76	13.41	18.87	14.70
1982	10.686	12.92	13.00	11.57	13.79	11.89	11.02	14.86	15.14
1982: Mar	12.493	14.13	13.86	12.72	14.58	13.47	12.00-12.00	16.50-16.50	15.67
Apr	12.821	14.18	13.87	12.45	14.46	13.64	12.00-12.00	16.50-16.50	15.84
May	12.148	13.77	13.62	11.99	14.26	13.02	12.00-12.00	16.50-16.50	15.89
June	12.108	14.48	14.30	12.42	14.81	13.79	12.00-12.00	16.50-16.50	15.40
July	11.914	14.00	13.95	12.11	14.61	13.00	12.00-11.50	16.50-15.50	15.70
Aug	9.006	12.62	13.06	11.12	13.71	10.80	11.50-10.00	15.50-13.50	15.68
Sept.	8.196	12.03	12.34	10.61	12.94	10.86	10.00-10.00	13.50-13.50	14.98
Oct	7.750	10.62	10.91	9.59	12.12	9.21	10.00-9.50	13.50-12.00	14.41
Nov	8.042	9.98	10.55	9.97	11.68	8.72	9.50-9.00	12.00-11.50	13.81
Dec	8.013	9.88	10.54	9.91	11.83	8.50	9.00-8.50	11.50-11.50	13.69
1983: Jan	7.810	9.64	10.46	9.45	11.79	8.15	8.50-8.50	11.50-11.00	13.49
Feb	8.130	9.91	10.72	9.48	12.01	8.39	8.50-8.50	11.00-10.50	13.16
Mar	8.304	9.84	10.51	9.16	11.73	8.48	8.50-8.50	10.50-10.50	13.51
Apr ⁸	8.252	9.76	10.40	8.96	11.52	8.48	8.50-8.50	10.50-10.50	.....
Week ended:									
1983: Mar 5	7.944	9.48	10.25	8.92	11.63	8.07	8.50-8.50	11.00-10.50	.....
12	8.205	9.78	10.51	9.28	11.72	8.33	8.50-8.50	10.50-10.50	.....
19	8.256	9.83	10.52	9.15	11.79	8.45	8.50-8.50	10.50-10.50	.....
26	8.434	10.03	10.60	9.09	11.76	8.67	8.50-8.50	10.50-10.50	.....
Apr 2	8.680	10.06	10.62	9.35	11.75	8.90	8.50-8.50	10.50-10.50	.....
9	8.664	9.90	10.52	9.13	11.66	8.70	8.50-8.50	10.50-10.50	.....
16	8.165	9.71	10.37	8.93	11.51	8.44	8.50-8.50	10.50-10.50	.....
23	8.030	9.77	10.38	9.07	11.46	8.38	8.50-8.50	10.50-10.50	.....
30 ⁹	8.150	9.68	10.33	8.72	11.44	8.30	8.50-8.50	10.50-10.50	.....

¹ Rate on new issues within period; bank-discount basis.

² Yields on the more actively traded issues adjusted to constant maturities by the Treasury Department.

³ Weekly data are Wednesday figures.

⁴ Prior to November 1, 1979, data are for 4-6 months paper.

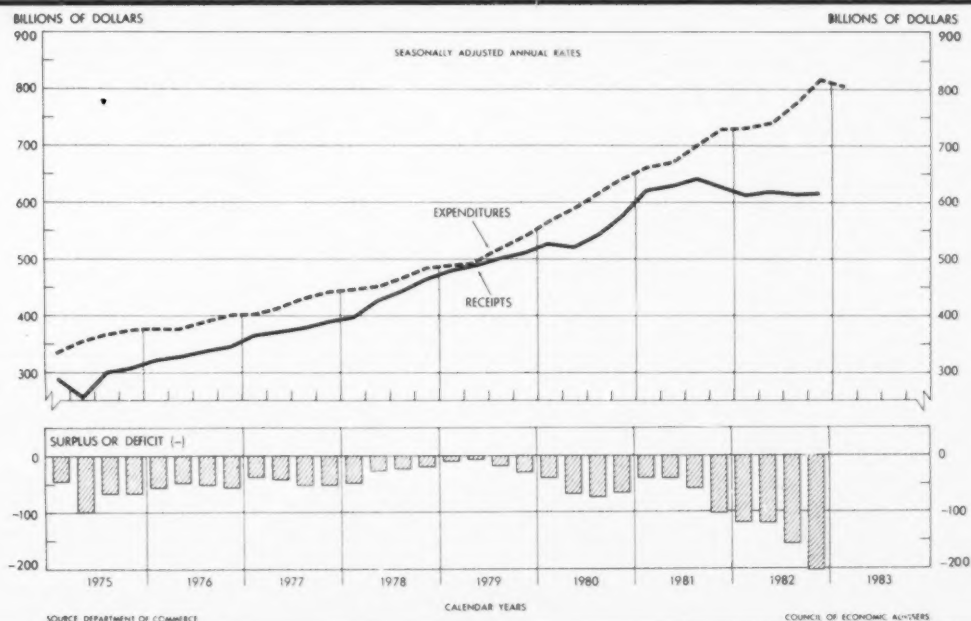
⁵ Average effective rate for year; high and low rate for month and week.

⁶ Effective rate (in the primary market) on conventional mortgages, reflecting fees and charges as well as contract rate and assumed, on the average, repayment at end of 10 years. Rates beginning January 1973 not strictly comparable with prior rates.

Sources: Department of the Treasury, Board of Governors of the Federal Reserve System, Federal Home Loan Bank Board, Moody's Investors Service, and Standard & Poor's Corporation.

FEDERAL SECTOR, NATIONAL INCOME ACCOUNTS BASIS

In the fourth quarter of 1982, according to revised estimates, Federal receipts rose \$1.3 billion (annual rate) and expenditures rose \$49.5 billion, yielding a deficit of \$204.2 billion. In the first quarter of 1983, according to preliminary estimates, expenditures fell \$17.0 billion; receipts data are incomplete.



SOURCE: DEPARTMENT OF COMMERCE

CALENDAR YEARS

COUNCIL OF ECONOMIC ADVISERS

[Billions of dollars; quarterly data at seasonally adjusted annual rates]

Period	Federal Government receipts					Federal Government expenditures							Surplus or deficit (-), national income and product accounts
	Total	Personal tax and nontax receipts	Corporate profits tax accruals	Indirect business tax and nontax accruals	Contributions for social insurance	Total	Purchases of goods and services	Transfer payments	Grants-in-aid to State and local governments	Net interest paid	Subsidies less current surplus of Government enterprises	Less: Wage accruals less disbursements	
Fiscal year:													
1978	414.3	186.5	67.3	27.2	133.3	450.4	150.4	182.2	74.7	33.5	9.7	.0	-36.1
1979	480.8	222.6	76.1	29.1	153.1	495.6	164.1	201.8	79.1	40.6	9.9	-.0	-14.8
1980	525.1	250.1	70.0	34.7	170.3	577.0	189.8	239.4	86.7	50.6	10.5	.0	-51.9
1981	614.7	291.7	70.9	55.7	196.3	666.5	218.1	279.2	90.1	66.2	13.1	.1	-51.9
1982	618.2	303.0	50.1	50.7	214.4	739.7	250.1	310.8	83.4	82.5	12.8	-.1	-121.5
Calendar year:													
1978	431.6	194.9	71.3	28.1	137.2	461.0	153.6	185.6	77.3	35.2	9.5	.0	-29.5
1979	493.6	230.6	74.2	29.4	159.5	509.7	168.3	209.2	80.5	42.4	9.2	.0	-16.1
1980	540.7	257.5	70.3	38.9	174.1	602.1	197.2	251.4	88.7	53.1	11.7	-.0	-61.4
1981	628.2	298.1	67.3	58.5	204.3	688.2	228.9	286.6	87.7	71.9	13.1	.0	-60.0
1982	613.9	300.1	47.2	50.0	216.6	763.4	257.9	322.2	83.7	85.0	14.6	.0	-149.5
1981: III	640.2	307.9	68.4	57.8	206.1	698.2	230.0	295.1	86.3	74.0	13.0	.2	-58.0
IV	625.7	300.9	59.1	57.2	208.4	727.4	250.5	300.7	83.6	79.0	13.6	-.1	-101.7
1982: I	609.9	299.9	46.5	48.7	214.9	728.3	249.7	303.2	83.0	79.6	12.7	-.2	-118.4
II	617.0	305.8	45.2	49.8	216.2	736.6	244.3	312.8	85.0	82.8	11.6	.0	-119.6
III	613.7	295.6	49.8	50.8	217.3	769.7	259.0	327.4	82.0	88.7	12.6	.0	-156.0
IV	615.0	299.2	47.3	50.7	217.8	819.2	278.7	345.3	84.6	89.1	21.4	.0	-204.2
1983: I *	298.2			51.4	227.3	902.2	271.9	339.6	85.8	88.6	16.2	.0	

Source: Department of Commerce (Bureau of Economic Analysis), Department of the Treasury, and Office of Management and Budget.

Tourist Briefs

Anchuca

Vicksburg, Mississippi



Originally built around 1830, by J.W. Mauldin, a selectman on the Vicksburg governing board, the one-level wood structure was located in a then refined section of town known as Springfield. About ten years later, the owner put a "pretentious front" on the house, with part of the front wood structure being "shaved" off to accommodate the elaborate facade. Made of century-old, uneven brick, the slave quarters were added

to the rear at about the same time. Today these original slave quarters have been transformed into a "country inn" to house overnight guests, rekindling the meaning of the name Anchuca-Indian for "happy home".

Located on the corner of First East Street and Cherry Street, Anchuca houses some of the most magnificent period antiques and artifacts.

Sales Indicated By Sales Tax Collections During April, 1983 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,368	32,213	Lowndes	1,455	36,355
Alcorn	705	19,904	Madison	780	27,864
Amite	118	2,706	Marion	575	13,503
Attala	307	8,608	Marshall	364	8,804
Benton	47	1,140	Monroe	660	17,849
Bolivar	734	17,915	Montgomery	201	4,793
Calhoun	219	5,448	Neshoba	410	10,780
Carroll	66	1,581	Newton	201	7,162
Chickasaw	298	7,765	Noxubee	142	3,886
Choctaw	93	2,239	Oktibbeha	548	12,860
Claiborne	368	20,469	Panola	544	13,440
Clarke	195	4,792	Pearl River	689	18,349
Clay	295	8,462	Perry	108	2,404
Coshocta	720	18,349	Pike	928	21,013
Copiah	332	8,222	Pontotoc	249	6,224
Covington	383	8,730	Prentiss	354	9,928
DeSoto	590	16,641	Quitman	128	2,957
Forrest	2,158	55,775	Rankin	1,504	44,952
Franklin	89	2,248	Scott	429	10,600
George	212	4,991	Sharkey	125	2,912
Greene	89	1,468	Simpson	417	10,367
Grenada	524	14,810	Smith	125	3,164
Hancock	614	17,389	Stone	170	3,851
Harrison	4,410	133,616	Sunflower	529	29,319
Hinds	8,703	249,365	Tallahatchie	199	4,698
Holmes	245	5,537	Tate	303	7,437
Humphreys	206	4,909	Tippah	303	13,325
Issaquena	15	514	Tishomingo	292	7,517
Itawamba	265	8,022	Tunica	148	3,380
Jackson	2,316	57,753	Union	309	8,589
Jasper	248	5,855	Walthall	184	4,487
Jefferson	74	1,701	Warren	1,176	28,201
Jeff Davis	174	4,298	Washington	1,606	43,847
Jones	1,914	45,507	Wayne	378	9,009
Kemper	77	1,823	Webster	136	3,334
Lafayette	500	11,393	Wilkinson	166	4,426
Lamar	355	9,337	Winston	343	8,491
Lauderdale	2,126	58,213	Yalobusha	192	4,794
Lawrence	142	3,255	Yazoo	509	18,857
Leske	254	6,140			
Lee	2,054	69,143			
LeFlore	1,045	27,330			
Lincoln	781	20,322	State Total	57,259	1,586,772

NEW AND EXPANDED INDUSTRY

Town	No. of
Firm	Employees
Product	

EXPANDED

Canton, Madison County
Hall Wood Products
Wood Turnings

25

INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS

[Seasonally Adjusted]

1982 = 100

Indicator	April 1983	March 1983	April 1982
Retail Sales	211.3	149.7	167.9
Electric Sales	215.8	201.4	202.7
Gasoline Gallonage	153.4	123.1	124.9
Loans of Savings & Loans Institutions	63.0	47.1	46.2



General Fund Collections Compared With Estimates

STATE TAX COMMISSION TRANSFERS

	CURRENT YEAR COLLECTIONS			
	7/1/82 to 4/30/83	Percent Of Estimate to 4/30/83	Over or (Under) Estimate to 4/30/83 Amount	(Under) 4/30/83 Percent
Sales Tax	\$391,430,488	71.33	\$(50,258,387)*	(11.38)
Use & Wholesale Comp. Tax	64,855,752	75.41	(7,496,048)	(10.36)
Individual Income Tax	141,092,977	65.62	(30,940,023)	(17.98)
Corporate Tax	100,994,301	95.28	8,255,301	8.90
Tobacco Tax	24,319,882	76.00	(1,958,518)	(7.45)
ABC Division	24,349,189	74.92	(2,681,061)	(9.92)
Beer & Wine Tax	17,751,247	73.96	(1,751,153)	(8.98)
Oil Severance Tax	41,184,178	61.47	(14,707,222)	(26.31)
Estate Tax	7,060,191	108.62	1,505,291	27.10
Statewide Privilege Tax	704,357	82.87	(70,078)	(9.05)
Installment Loan Tax	1,974,826	78.99	(368,424)	(15.72)
Gas Severance Tax	30,289,020	65.85	(7,371,180)	(19.57)
Insurance Premium Tax	38,804,154	81.52	(705,346)	(1.79)
Auto Tag Fees	3,721,352	67.66	(949,248)	(20.32)
Auto Privilege Tax	3,141,963	78.55	(389,637)	(11.03)
Title Fees	988,956	73.26	(115,749)	(10.48)
Petroleum Tax	4,036,164	91.73	425,084	11.77
Admission Tax	258,823	94.12	27,108	11.70
Timber Severance Tax	394,711	65.79	(123,509)	(23.83)
Slot Vending Tax	632,703	140.60	219,153	52.99
Pulpwood Scaling Fees	65,472	---	65,472	---
Fire Marshal Fees	198,600	---	198,600	---
Freeport Warehouse Tax	140	140.00	45	47.37
Aircraft & Registration Fee	9,877	---	9,877	---
Gross Tax Comm. Transfers to the General Fund	\$898,259,324	72.95	\$(109,179,651)*	(10.84)

* Sales Tax and gross Tax Commission General Fund Transfers are overstated by \$4,000,000. This was caused by the General Fund deposit of sales tax funds collected in a prior year (F/Y 1979) that were held to meet diversion requirements.

and Prior Year Collections for Same Period

BUDGET COMMISSION ESTIMATE		PRIOR YEAR COLLECTIONS		
Fiscal Year 1982	7/1/82 to 4/30/83	Fiscal Year 1982	7/1/81 to 4/30/82	Percent
\$ 548,750,000	\$441,688,875	\$485,442,080	\$399,753,321	80.49 (1)
86,000,000	72,351,800	84,189,461	70,826,090	84.13
215,000,000	172,033,000	211,966,577	156,680,104	80.02 (2)
106,000,000	92,739,000	106,490,326	92,874,835	87.49 (2)
32,000,000	26,278,400	30,073,938	24,696,183	82.12
32,500,000	27,030,250	31,030,882	25,807,146	83.17
24,000,000	19,502,400	22,319,233	18,135,805	81.26
67,000,000	55,891,400	57,661,225	48,101,240	83.42
6,500,000	5,554,900	6,586,755	5,628,876	85.46
850,000	774,435	775,985	706,986	91.11
2,500,000	2,343,250	2,269,978	2,127,628	93.73
46,000,000	37,660,200	32,670,808	26,747,288	81.87
47,600,000	39,509,500	35,369,131	35,250,466	83.00 (2)
5,500,000	4,670,600	4,609,911	3,914,964	84.92
4,000,000	3,531,600	3,384,887	2,988,554	88.29
1,350,000	1,104,705	1,083,566	886,652	81.83
4,400,000	3,611,080	4,490,398	3,685,302	82.07
275,000	231,715	264,288	222,698	84.26
600,000	518,220	502,421	433,936	86.37
450,000	413,550	542,744	498,784	91.90
-0-	-0-	-0-	-0-	-0-
-0-	-0-	187,030	187,030	100.00
100	95	370	350	94.59
-0-	-0-	-0-	-0-	-0-
\$1,231,275,100	\$1,007,438,975	\$1,121,901,997	\$920,154,239	82.02

(1) Five (5) year average

(2) Adjusted FY 1982 Transfers.

SOURCE: Mississippi State Tax Commission, Jackson, Mississippi.

Food Stamp Participation By County, April, 1983

SOURCE: State Welfare Department

County	Number of Households ² (Average Allotment \$135.78)	Number of Persons ³ (Average Allotment \$42.41)	Coupon Value ⁴ (Average Per Meal \$47)	County	Number of Households ² (Average Allotment \$135.78)	Number of Persons ³ (Average Allotment \$42.41)	Coupon Value (Average Per Meal \$47)
Adams	2,927	8,518	373,619	LeFlore	3,255	11,905	492,202
Alcorn	2,225	5,804	239,940	Lincoln	2,077	6,297	264,269
Amite	943	3,315	126,038	Lowndes	7,021	9,052	395,492
Attala	1,731	5,344	215,761	Madison	3,688	13,169	581,724
Benton	827	2,933	118,431	Marion	1,777	5,828	249,079
Bolivar, E	3,077	11,521	471,779	Marshall	3,235	11,383	475,183
Bolivar, W	1,063	4,590	187,941	Monroe	1,830	5,741	237,613
Calhoun	1,040	2,998	115,838	Montgomery	1,398	3,912	154,821
Carroll	815	2,498	95,886	Neshoba	1,601	4,794	185,778
Chickasaw, E	372	1,086	39,357	Newton	1,223	3,538	135,685
Chickasaw, W	724	2,141	78,462	Noxubee	1,624	5,600	232,342
Choctaw	770	2,250	89,920	Oktibbeha	2,009	6,199	273,373
Claiborne	1,278	4,036	181,066	Panola	2,487	9,153	389,866
Clark	1,293	3,658	143,305	Pearl River	2,052	6,084	287,402
Clay	1,665	5,386	228,027	Perry	1,168	3,426	145,821
Coahoma	3,761	13,638	582,250	Pike	2,545	7,916	352,978
Copiah	1,932	6,019	271,287	Pontotoc	1,951	3,132	117,521
Covington	1,319	4,265	171,652	Prentiss	1,364	3,777	148,163
DeSoto	2,161	7,639	308,510	Quitman	1,321	5,063	202,386
Forrest	4,338	11,890	527,648	Rankin	2,307	7,131	289,216
Franklin	922	2,581	11,482	Scott	1,529	4,671	183,146
George	1,197	3,681	165,422	Sharkey	1,002	4,126	162,706
Greene	1,039	3,257	145,250	Simpson	1,456	4,314	176,146
Grenada	1,265	4,101	169,629	Smith	848	2,628	98,614
Hancock	1,784	5,217	245,016	Stone	683	2,316	99,006
Harrison	6,273	19,660	891,759	Sunflower	2,834	11,461	458,326
Hinds	14,785	44,833	2,041,176	Tallahatchie	1,894	7,425	291,940
Holmes	3,481	11,541	513,377	Tate	1,642	5,218	211,112
Humphreys	1,143	4,376	175,416	Tippah	1,477	4,278	168,223
Issaquena	267	1,022	39,298	Tishomingo	1,078	2,723	106,645
Itawamba	871	2,299	87,117	Tunica	1,376	5,201	211,318
Jackson	5,791	18,867	925,818	Union	1,253	3,539	134,194
Jasper	1,216	3,983	155,286	Walthall	1,191	4,048	186,167
Jefferson	1,005	3,362	127,899	Warren	3,116	9,438	429,336
Jeff Davis	1,284	4,143	167,213	Washington	6,431	22,767	1,001,641
Jones	2,881	8,310	334,814	Wayne	1,883	5,755	246,536
Kemper	763	2,575	98,714	Webster	778	2,116	86,474
Lafayette	1,196	3,634	141,171	Wilkinson	1,142	3,501	137,857
Lamar	1,569	4,628	201,283	Winston	1,985	6,089	247,160
Lauderdale	3,756	11,383	493,561	Yalobusha	1,069	3,134	126,290
Lawrence	927	2,743	108,375	Yazoo	2,840	9,473	398,174
Leake	1,890	5,529	226,814				
Lee	2,181	6,014	253,219	State Total	170,112	544,569	23,097,751

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person(\$42.41) by total number of average meals a month (90)

STATE ECONOMIC INDICATORS

Indicator	April 1983 ¹	March 1983 ¹	April 1982 ²	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	933,000	930,300	944,800	0.3	-1.2
Non-Ag Employment	787,500	782,700	800,000	4.8	-12.5
Mining	1,200	11,300	12,700	-0.1	-1.5
Contract Construction	9,000	39,100	42,000	0.9	-2.0
Manufacturing	197,400	195,700	204,700	1.7	-7.3
Transportation and Public Utilities	38,700	38,500	39,700	0.2	-1.0
Wholesale and Retail Trade	161,000	159,300	160,700	1.7	0.3
Finance, Insurance and Real Estate	33,000	33,000	32,700	-0.0	0.3
Service	124,400	124,200	123,200	0.2	1.2
Government	181,800	181,600	184,300	0.2	-2.5
Unemployment Rate (Per Cent Labor Force)	12.3	11.4	11.4	—	—
Average Weekly Earnings in Manufacturing (Dollars)	261.89	258.33	246.27	1.4	6.3
Average Hourly Earnings in Manufacturing (Dollars)	6.63	6.59	6.38	0.6	3.9
Average Weekly Hours in Manufacturing	39.5	39.2	38.6	0.8	2.3
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,651	2,669	2,867	-0.7	-7.5
Gasoline Delivered to Dealers (gals.) ⁶	117,865	69,347	98,628	33.4	19.5
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	10,770	8,300	7,800	29.8	38.1
Construction Loans	12,400	4,700	500	163.8	238.0
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	1,599,530	1,584,031	1,504,287	9.8	6.3
RETAIL SALES (000's)⁹					
	1,586,772	1,156,092	1,208,970	37.3	31.2

Indicator	January 1983	December 1982	January 1982	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹⁰					
Total Cash Receipts from Farm Marketings	280,286	382,802	252,115	-26.8	11.2
Cash Receipts from Marketing Livestock	71,674	58,029	70,943	23.5	1.0
Cash Receipts from Marketing Crops	208,612	324,773	181,172	-35.8	15.1

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for December

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock-Total for number of condominiums and 1-4 family homes

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹Mississippi Tax Commission

¹⁰U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month April	PerCent Month Ago	Change Year Ago	Current Month April	Month Ago	Year Ago
Aberdeen	39,804	-22.2	3.8	530,000	36,600	126,650
Baldwyn	22,204	-1.9	36.5	---	---	---
Batesville	58,698	24.2	12.0	7,000	169,000	36,000
Bay Springs	18,976	5.6	-4.4	---	---	---
Bay St. Louis	39,039	6.6	4.5	---	---	---
Belmont	10,346	25.6	36.4	---	---	---
Bilzoni	25,433	2.8	-1.5	3,000	15,500	28,000
Biloxi	277,072	14.4	14.6	2,710,198	5,840,801	927,226
Brandon	35,812	7.6	3.7	1,416,500	929,725	357,800
Brookhaven	107,072	11.3	0.9	---	---	---
Brooksville	2,797	9.0	10.4	---	---	---
Canton	61,807	18.0	10.1	---	90,352	34,150
Carthage	36,561	4.7	8.4	5,500	33,500	49,700
Charleston	16,194	3.8	4.1	---	---	---
Clarksdale	104,555	1.3	2.8	564,044	104,470	127,700
Cleveland	82,271	7.5	2.0	---	---	---
Collins	24,637	8.0	26.1	65,000	140,800	55,500
Columbia	84,770	5.3	2.5	---	---	---
Columbus	209,949	4.0	11.1	449,792	604,043	1,659,321
Corinth	103,527	4.2	3.5	66,800	86,800	133,300
Crystal Springs	23,692	-2.7	22.2	67,000	131,000	42,738
Drew	8,361	-10.9	-14.7	---	---	---
Edwards	2,464	-8.9	28.3	---	---	---
Ellisville	14,783	-14.4	-0.4	---	---	---
Eupora	15,373	6.7	-9.1	---	---	---
Fayette	10,015	42.1	-0.1	---	---	---
Forrest	49,466	16.3	17.9	160,000	---	102,300
Greenville	233,589	10.8	1.8	---	---	---
Greenwood	150,015	10.7	14.7	149,100	344,900	26,400
Grenada	84,678	17.9	8.1	275,000	131,000	44,000
Gulfport	264,667	-0.5	5.3	3,226,270	2,004,392	435,813
Hattiesburg	368,024	15.9	26.5	---	---	---
Hernando	17,096	-7.6	-21.0	223,155	604,388	1,000
Hollandale	11,141	-3.5	-15.6	---	---	---
Holly Springs	39,605	11.9	16.7	1,554,385	77,000	5,000
Houston	32,277	-17.2	19.9	168,900	10,000	506,200
Indianola	57,890	15.8	6.4	---	---	---
Iuka	25,088	7.6	3.3	---	---	---
Jackson	1,452,089	18.4	6.0	6,384,655	5,740,890	13,403,211
Kosciusko	51,541	9.7	2.4	121,900	47,000	36,075
Laurel	275,904	11.2	-12.2	408,125	994,324	428,904
Leland	16,431	-1.9	-4.1	64,568	57,827	226,507
Lexington	13,700	-15.4	-19.6	---	---	---
Louisville	48,494	27.1	3.2	221,508	124,384	163,100
Lucedale	31,145	11.9	-3.2	50,000	1,000	2,400
Lumberton	7,863	-0.4	-2.4	---	---	---
Macon	16,156	12.2	19.0	---	---	---
Magee	42,488	14.9	4.0	---	---	---
Monticello	9,578	-17.2	7.0	29,000	11,000	50,800
Marks	13,997	4.4	-5.5	---	---	---
McComb	110,301	-3.9	4.4	531,400	79,999	289,350
Meadville	6,804	126.7	59.9	---	---	---
Mendenhall	18,500	4.7	5.7	0	40,000	1,040,000
Meridian	332,204	1.4	11.8	719,748	1,090,906	716,727
Monticello	17,873	8.9	-3.5	33,300	45,000	65,000
Morton	17,756	-0.9	-5.8	---	---	---
Moss Point	47,174	-17.8	13.8	---	---	---
Natchez	209,859	4.8	-9.5	289,686	396,530	416,193
New Albany	52,766	13.0	7.1	168,590	530,303	100,390
Newton	24,368	12.3	42.2	---	---	---
Ocean Springs	66,334	2.5	15.9	---	---	---
Okolona	14,195	12.6	7.4	---	---	---
Oxford	83,656	3.7	17.1	216,800	461,277	365,950
Pascagoula	185,107	7.5	0.4	---	---	---
Pass Christian	13,181	-7.3	7.4	362,095	114,840	4,500
Philadelphia	51,106	1.5	3.1	---	---	---

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month April	PerCent Month Ago	Change Year Ago	Current Month April	Month Ago	Year Ago
Picayune	80,316	9.7	5.4	---	---	---
Pontotoc	39,040	-11.3	9.0	---	---	---
Poplarville	15,556	7.2	-3.7	---	---	---
Port Gibson	14,756	11.0	-5.0	---	---	---
Prentiss	18,629	-0.6	-0.3	21,500	573,675	913,800
Quitman	22,457	2.8	-4.5	---	---	---
Raymond	4,068	13.7	-5.7	---	---	---
Richton	9,766	23.4	25.5	---	---	---
Rosedale	7,142	15.8	9.4	---	---	---
Ruleville	10,222	2.3	-5.9	---	---	---
Sardis	16,720	12.5	0.3	---	---	---
Senatobia	47,243	24.2	16.0	114,000	146,520	---
Shelby	11,130	41.8	24.1	---	---	---
Starkville	83,098	-6.2	-2.5	961,000	598,500	231,445
Summit	9,868	22.4	8.0	---	---	---
Taylorville	10,718	10.3	1.3	---	---	---
Tchula	3,822	10.1	-7.4	---	---	---
Tunica	17,056	33.2	21.1	---	---	---
Tupelo	301,306	1.2	9.7	1,236,297	1,023,027	188,450
Union	13,221	10.3	-5.9	---	---	---
Utica	6,616	-19.9	-28.7	---	---	---
Vicksburg	173,869	8.5	-5.1	1,616,080	464,610	169,178
Walnut Grove	2,167	25.5	24.0	---	---	---
Water Valley	20,071	2.5	-9.6	---	---	---
Waynesboro	49,169	-36.7	-5.0	65,000	89,000	1,000
West Point	45,633	-3.7	6.2	---	---	---
Wiggins	22,017	3.1	-2.2	69,000	43,000	76,800
Winona	29,644	15.3	7.3	63,000	-0-	87,250
Yazoo City	56,197	6.9	-14.3	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	April 1983	March 1983	April 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	158,400	158,000	159,400	0.3	-0.6
Unemployed Persons	11,400	11,700	11,100	-2.6	2.7
Per Cent of Labor Force	7.2	7.4	7.0	---	---
Employed Persons	147,000	146,300	148,300	0.5	-0.9
Non-Ag Wage & Salaries	126,200	125,600	128,000	0.5	-1.4
Manufacturing	19,200	19,000	18,700	1.1	2.7
CITY SALES TAX COLLECTIONS	1,501,051	1,274,084	1,421,549	17.8	5.6
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	69,710	69,670	68,300	0.1	2.1
Unemployed Persons	7,890	7,790	5,530	1.3	42.7
Per Cent of Labor Force	11.3	11.2	8.1	---	---
Employed Persons	61,820	61,880	62,770	-0.1	-1.5
Non-Ag Wage & Salaries	52,180	52,260	53,300	-0.2	-2.1
Manufacturing	9,200	9,170	9,010	0.3	2.1
CITY SALES TAX COLLECTIONS	554,920	522,332	505,240	6.2	9.8

Total Food Stamp Value By County

July 1, 1981-June 30, 1982

SOURCE: Mississippi State Department of Public Welfare

County	Amount	% of State	County	Amount	% of State
Adams	3,753,372	1.65	Lowndes	3,763,353	1.65
Alcorn	2,337,109	1.03	Madison	5,748,102	2.52
Amite	1,291,393	0.57	Marion	2,165,947	0.95
Attala	2,129,481	0.93	Marshall	4,743,588	2.08
Benton	1,240,841	0.54	Monroe	2,160,744	0.95
Bolivar	7,072,070	3.11	Montgomery	1,668,418	0.73
Calhoun	1,127,240	0.50	Neshoba	1,646,160	0.72
Carroll	943,543	0.41	Newton	1,341,035	0.59
Chickasaw	1,194,081	0.52	Noxubee	2,278,019	1.00
Choctaw	5,900,656	2.60	Oktibbeha	2,757,876	1.21
Claiborne	1,644,172	0.72	Panola	3,812,630	1.67
Clark	1,611,059	0.71	Peari River	2,398,186	1.05
Clay	2,304,750	1.01	Perry	1,480,291	0.65
Coshoma	6,135,618	2.70	Pike	3,439,902	1.51
Copiah	3,126,903	1.37	Pontotoc	1,248,966	0.55
Covington	1,732,293	0.76	Prentiss	1,435,874	0.63
DeSoto	2,943,937	1.30	Quitman	1,997,495	0.88
Forrest	4,973,462	2.20	Rankin	2,892,775	1.27
Franklin	1,092,222	0.48	Scott	1,951,101	0.86
George	1,287,648	0.57	Sharkey	1,668,371	0.73
Greene	1,487,175	0.65	Simpson	1,816,358	0.80
Grenada	1,718,337	0.75	Smith	973,003	0.43
Hancock	2,127,982	0.93	Stones	742,761	0.33
Harrison	8,844,277	3.88	Sunflower	4,975,474	2.18
Hinds	21,144,009	9.30	Tallahatchie	3,024,519	1.33
Holmes	5,233,896	2.30	Tate	2,251,838	0.99
Humphreys	1,930,488	0.85	Tippah	1,594,202	0.70
Issaquena	372,123	0.16	Tishomingo	855,736	0.38
Itawamba	756,247	0.33	Tunica	2,339,939	1.03
Jackson	6,215,481	3.61	Union	1,253,993	0.55
Jasper	1,580,895	0.69	Walshall	1,450,458	0.64
Jefferson	1,401,345	0.62	Warren	4,493,633	1.97
Jeff Davis	1,560,983	0.69	Washington	9,727,517	4.27
Jones	2,832,413	1.24	Wayne	2,386,886	1.05
Kemper	1,008,193	0.44	Webster	786,536	0.35
Lafayette	1,265,116	0.56	Wilkinson	1,400,783	0.62
Lamar	1,725,936	0.76	Winston	2,366,680	1.04
Lauderdale	4,748,050	2.08	Yalobusha	1,232,028	0.54
Lawrence	994,422	0.44	Yazoo	4,071,562	1.79
Leake	2,316,649	1.02			
Lee	2,466,668	1.08			
Leflore	4,854,901	2.13			
Lincoln	2,399,822	1.05	State Total	\$227,735,126	



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VOLUME XLV

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Who Is Paying Your Hospital Bill?

By

Thomas J. Luck, Ph.D.

Newspaper headlines are screaming that Medicaid and Medicare Costs are up 20% or more over last year. Other news announcements bring out that the State of Mississippi's Medicaid program needs another million dollars to pay the medical bills for its recipients. Congress and other legislative bodies are attempting to write legislation to limit the increased medical care costs in the United States. Yet at the same time Americans are demanding more and better medical care for everyone. However, the basic question is "Who is going to pay for these medical services?"

Technological Changes

Medical science and technology have made dramatic changes in health care during the last century. Medicine was still basically a primitive science one hundred years ago. Children died from diseases such as tuberculosis, polio, whooping cough and diphtheria. Physicians used leeches for medical treatment. Today there are headlines when youngsters die of polio, and investigation discloses that they were not vaccinated against the disease. Medical science has almost conquered polio. The technological development of lasers, body scanners, artificial organs and small heart pacemakers have led the public to believe that there are miracle cures available for every disease or ailment. However, the development of new and costly medical technologies such as open heart surgery and computerized tomography scanners have greatly increased the costs of medical "cures". Yet the public expects these expensive treatments to be available to everyone at every local hospital without regard to ability to pay. The medical profession also wants the latest technological devices readily available at the local hospital.

Medical and hospital costs are soaring upward at a 20% to 40% increase per year according to recent testimony before a Congressional Committee. In 1981 America's health care expenditure was \$287 billion, or over 10 percent of the nation's gross national product. This amounted to a health care bill of \$1,200 for every man, woman, and child in this country. The spiraling costs of medical care have shifted the focus of governmental health policy concerns away from a national program for every citizen to an overriding need to contain costs. Medical care expenditures in 1981 amount to 10.8% of Gross National Product as compared with 7.5% in 1970. Over 300 billion dollars were spent for medical expenses in 1982, and this is projected to amount to a trillion dollars by 1995. Critics have charged that hospital costs have increased faster than the general Consumer Price Index, as shown in Table I.

Other Causes of Increased Costs

Numerous studies have been instituted to determine the causes of the increased costs of health care systems. Some of these cost increasing factors in addition to costly medical technologies are: the rise in wages and price levels in the health care industry (Gaus and Cooper, 1977); increases in the intensity of use of certain customary services such as laboratory tests (Scitovsky, 1977); changes in the organization of care such as the growth of intensive care units in hospitals and increases in personnel; and the growth of institutions for long term care. Many health care providers have attempted to explain away increasing health care costs by pointing to these enumerated factors, particularly the rise in wages and price levels in the health care industry. But are these the only factors contributing to increased health costs?

TABLE I
Growth Rates of Community Hospital Indicators and
The Consumer Price Index: 1971-1981

(Percent Growth Over Previous Year)			
Year ¹	Hospital Cost Index ²	Real Service Volume ³	CPI-All Items (Urban)
1971	6.3%	4.0%	4.3%
1972	3.4	4.6	3.3
1973	4.9	4.4	6.2
1974	9.2	7.4	11.0
1975	11.9	5.8	9.1
1976	10.3	9.5	5.8
1977	9.1	5.8	6.5
1978	7.1	5.4	7.7
1979	9.5	4.6	11.3
1980	11.3	6.3	13.5
1981	12.3	6.2	9.9

¹Data Shown are average annual growth rates.

²Index developed by the American Hospital Association to show the increase in the actual unit costs to U.S. community hospitals for goods and services provided.

³A measure developed by the American Hospital Association to show the increase in the volume and intensity of hospital services provided by U.S. community hospitals.

SOURCES: Department of Economic Analysis, American Hospital Association, Chicago IL, unpublished data. *Social Security Bulletin*, Social Security Administration, Department of Health and Human Services, Washington, D.C.

The hospital cost index has increased more than the CPI in six out of the eleven years. When the growth rates of community hospital indicators and the consumer price index are depicted on a graph the growth rates are comparable. Community hospital expenses in the United States have jumped to more than triple those of 1971.

TABLE II
Community Hospital Expenses:
United States, 1970-1981

Total Expenses (in Millions)		Expenses Per Capita
Year	United States	United States
1970	\$19,560	\$.96
1971	22,400	108
1972	25,462	122
1973	28,372	134
1974	32,617	153
1975	36,962	181
1976	45,240	208
1977	51,647	235
1978	56,180	262
1979	66,004	294
1980	76,851	338
1981	90,572	395
% Change 1971-1981	+304%	+266%

Source: *Hospital Statistics*, American Hospital Association, Chicago, IL, 1970-1982.

Community hospital payroll expenses in the United States have more than doubled in the 1970-1981 period (23%), but, surprisingly have decreased as a percent of total hospital expenses. Payroll expenses have decreased from 58.4% of total hospital expenses in 1970 to 48.6 in 1981. This decreasing trend would indicate that expenses in the hospitals other than payroll have been increasing faster than payroll expense. This increase of other factor costs is even more amazing when it is realized that hospital employment increased 46.7% in the 1970 to 1980 period. Also since medical care is becoming more technological, more employees with technical professional knowledge are needed. The number of hospital personnel in the United States has gone from 2,050,636 in 1972 to 3,033,272 in 1981. While the number of hospital personnel per 100,000 population has increased from 980 to 1,323. The most dramatic increase has been in the 70.8% gain in the number of registered nurses from 1971 to 1981. Likewise, there has been a 34.9% jump in the number of physicians and dentist in community hospitals. Both of these increases in the employment of professional people support the fact that more technological knowledge is required of hospital personnel in the present situations.

As shown by the preceding data, hospital expenses have increased dramatically in the last 15 years at a rate faster than the Consumer Price Index. While the CPI for all major items climbed at an annual rate of 6.8 percent between 1965 and 1981, overall medical prices rose at an annual rate of 7.7 percent - a sixteen year average of 1 percent above the CPI rate. As indicated in Table IV, hospital personnel costs have decreased as a percent of total hospital expenses so that it is apparent that increased costs are due more to other factors. An American Hospital Association study confirms that non-labor costs and change in the nature of hospital services provided over the years have affected costs. Technological changes in medical science, increasing demand for medical services, changing needs of patients because of an older population, and increased government regulation have led to the increased costs of medical care.

In the past ten years technological advances in diagnostic and treatment procedures have exploded and are now demanded by everyone. Local hospitals have responded to consumer and health care producer pressure by buying such scientifically advanced high price items as CAT scanners and cardiac catheterization

equipment. These scientific procedures are available locally rather than only at regional centers, but this is expensive. Patients are receiving more scientific treatment than before. The improvement in the quantity and quality of the delivery of medical care accounted for an estimated 3.5% increase in expenses from 1979-1980 and a 4.9% increase from 1980 to 1981.

Some medical care leaders wonder whether such extensive use of technological equipment is really necessary. But we cannot explore this more deeply within the confines of this paper. All we can do at present is to raise the question of cost effectiveness.

TABLE III
Payroll Expenses, Community Hospitals:
United States, 1970-81

	Payroll (Thousands of Dollars)	Payroll Expenses as a Percent of Total Expenses	Payroll Expenses Per FTE
Year	United States	United States	United States
1970	11,420,906	58.4	5,921
1971	13,053,166	58.3	6,529
1972	14,459,330	56.8	7,051
1973	15,782,302	55.6	7,368
1974	17,787,224	54.5	7,787
1975	20,652,510	53.0	8,835
1976	23,111,678	51.4	9,336
1977	25,944,061	50.2	10,082
1978	28,931,612	49.7	10,896
1979	32,586,580	49.4	11,825
1980	37,378,600	49.6	13,010
1981	44,041,980	48.6	14,520
% Change 1971-1981	*237%	—	*122

Sources: **Hospital Statistics**, American Hospital Association, Chicago, IL, 1970-1982.

American Hospital Association Guide to the Health Care Field, American Hospital Association Chicago, IL, 1970.

TABLE IV
Employment in the Health Service Industry:
United States, 1975-1980
(Number of Employed Persons in Thousands)

	United States			
Year	Offices of Physicians	Offices of Dentists	Hospitals	U.S. Total
1970	477	222	2,880	4,246
1975	607	327	3,394	5,865
1976	641	325	3,568	6,122
1977	677	321	3,645	6,328
1978	753	360	3,781	6,673
1979	755	385	3,843	6,849
1980	756	407	3,947	7,186
% Change 1970-1980	+ 58.5%	+ 83.3%	+ 46.7%	+ 69.2%

Sources: **Health—United States, 1981**, U.S. Department of Health Education and Welfare, Washington, D.C., December, 1981.

TABLE VI
Composition of the Increase in Community Hospital
Inpatient Expenses:
United States, 1979-1981¹

	Percent Increase in Total Inpatient Expenses Due to Each Factor	
Component	1979-1980	1980-1981
Inflation	13.0	13.8
Labor	6.6	7.9
Nonlabor	6.4	5.8
Real Growth	3.5	4.9
Labor	2.7	3.1
Nonlabor	0.8	1.8
Total	16.5	18.7

¹Calendar years adjusted for leap year.

SOURCE: **Trends: Community Hospital Indicators**, March, 1982, Office of Public Policy Analysis, American Hospital Association, Chicago, IL.

TABLE V
Community Hospital Personnel According to Occupational Groups:
United States, 1972-1981

				United States
FTE Personnel	Year	Number	Percent	Number Per 100,000 Pop.
Total Personnel	1972	2,050,836	100	980
	1973	2,141,983	100	1013
	1974	2,281,515	100	1069
	1975	2,391,656	100	1110
	1976	2,475,413	100	1138
	1977	2,473,236	100	1125
	1978	2,655,233	100	1196
	1979	2,755,662	100	1227
	1980	2,873,064	100	1265
	1981	3,033,272	100	1323
	% Change, 1972-1981			+ 47.9%
Physicians and Dentist ¹	1972	23,347	1.1	11
	1973	24,485	1.1	12
	1974	27,394	1.2	13
	1975	29,234	1.2	14
	1976	27,666	1.1	13
	1977	27,324	1.1	12
	1978	25,712	1.0	12
	1979	26,536	1.0	11
	1980	31,524	1.1	12
	1981	31,506	1.0	14
	% Change, 1972-1981			+ 34.9%
Registered Nurses	1972	368,612	18.0	176
	1973	387,868	18.1	184
	1974	416,540	18.2	195
	1975	445,934	18.6	207
	1976	472,755	19.1	217
	1977	502,644	19.5	229
	1978	529,483	19.9	238
	1979	558,695	20.3	249
	1980	622,052	21.7	274
	1981	629,463	20.8	275
	% Change, 1972-1981			+ 70.8%
Licensed Practical Nurses	1972	184,76	9.0	88
	1973	190,697	8.9	90
	1974	201,043	8.8	94
	1975	207,876	8.7	96
	1976	211,048	8.5	97
	1977	217,374	8.5	99
	1978	219,223	8.3	99
	1979	220,338	8.0	96
	1980	228,135	7.9	100
	1981	234,246	7.7	102
	% Change 1972-1981			+ 27.2%
Other Salaried Personnel	1972	1,474,501	71.9	705
	1973	1,538,933	71.8	728
	1974	1,636,538	71.7	767
	1975	1,708,612	71.4	793
	1976	1,763,944	71.2	811
	1977	1,825,094	71.0	830
	1978	1,880,815	70.8	847
	1979	1,950,093	70.8	868
	1980	1,991,353	69.3	877
	1981	2,138,057	70.5	932
	% Change, 1972-1981			+ 45.6

SOURCES: Hospital Statistics, American Hospital Association, Chicago, IL, 1972-1981.

Medicare - Medicaid

Government sponsored programs have stimulated both the demand for and supply of health care services (See Figure 1). The most significant programs affecting costs are the Medicare/Medicaid agencies. These government programs provide the aged, the medically indigent and the disabled with extensive treatment procedures and facilities. Government programs provided for 54.4% of total hospital expenses in 1980 which is a sizeable increase over the 38.9% provided in 1965 prior

to the introduction of the Medicare and Medicaid programs.

Hospitals have become big businesses particularly when the standard definition of a small business is applied - a small business has fewer than 100 employees. Typical 100-200 bed community hospitals employ an average of 400 workers and have an annual operating budget of \$15 to \$20 million. Larger hospitals and medical centers may employ over 4,000 workers and administer budgets in excess of \$100 million.

FIGURE 1
Distribution of Hospital Expenditures by Source of Funds:
United States, 1980

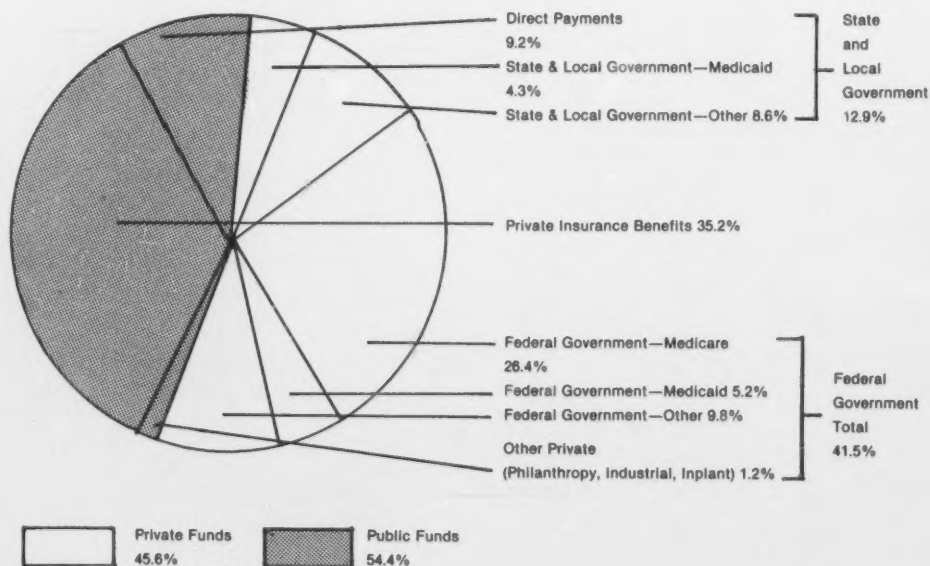
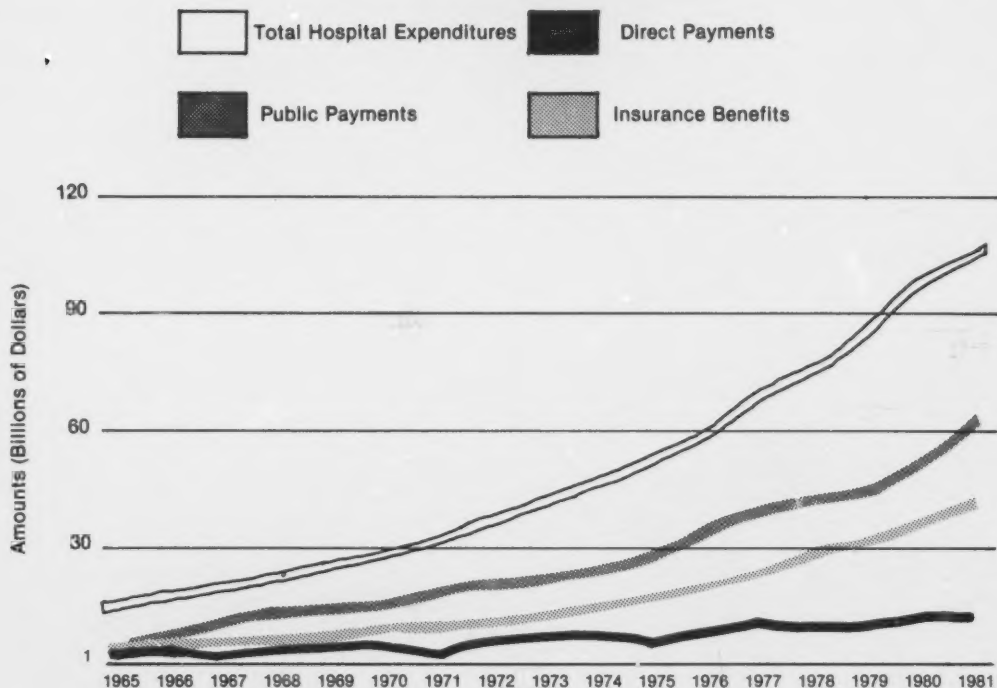


FIGURE II
Hospital Expenditures by Source of Funds:
United States, 1965-1981'



Cost Shifting

Hospitals are large employers but not necessarily profitable business. Today according to accounting studies, their budgets barely cover increasing operating costs. (Peat, Marwick, **Management Focus**, March-April, 1983, p. 21) The two principal factors causing the shortage of funds are shrinking government reimbursement and expensive new technology. Congress has passed legislation becoming effective in October, 1983 which will pay many hospitals less money for their Medicare

patients. As Jane Bryant Quinn reports in her column, "as Medicare patients become less profitable, or unprofitable, the hospitals will offset their losses by raising prices to other patients." The Health Insurance Association of America has estimated that \$5.8 billion in hospital operating costs have been shifted to private hospital patients from the Medicare and Medicaid program in 1982. In Florida studies it is disclosed that Medicare reimburses the hospital only 67.7% of the hospital charges for over 65 years of age patients and the remaining 32.2% must be paid by non-Medicare patients.

TABLE IX
Patient Days by Payor:
Florida, 1981

Payor	Total Patient Days	% Patient Days
Medicare patients	6,368,387	51.2
Medicaid patients	879,041A	7.1
Charge Reimbursed patients	5,180,342	41.7
Self pay and insured patients	4,289,633B	34.5
Bad debt patients	649,022B	5.2
Charity and other		
Uncompensated care patients	241,687B	1.9
Total Acute Care patients	12,427,770	100.0

A-Includes Medicaid and other cost reimbursed programs.

B-Patient days for these sub-groups of charge reimbursed patients were calculated from revenues/total patient service revenues ratios.

SOURCES: Hospital Cost Containment Board, Unpublished Data, January, 1983, Tallahassee, FL.

In Florida, it is estimated that full private pay and insured patients will pay an additional \$56.31 per day because Medicare reimburses only 67.7% of charges for eligible patients. Furthermore, in 1983 the expected reimbursement in Florida from Medicare is expected to be even less. In Mississippi, it is estimated that reimbursements under the Medicaid program for the poor only amount to 75% of the actual hospital bill so that 25% of the costs must be shifted to private patients. Both in Florida and Mississippi the problem of adequate reimbursement from the federal government for those patients over 65 is further complicated by the fact that both states have high percentages of their population over 65 years of age. (Florida 17.1%, Mississippi 12%). Furthermore, the aged group over 65 has a rate of inpatient days per 1000 population 500% greater than the under 65 years of age group. All of this proves that the over 65 age group is the fastest growing group in the United States today. There are more than 27 million Americans age 65 or older today and each day 5000 more turn 65. An older America means more reliance on the health care system. In general, the elderly are sick more often and spend more time in the hospital than the rest of the population. This points to the unpleasant realization that with reduced reimbursement from government there will be more cost shifting to private patients. Private patients will be paying more than \$50 a day additional to cover the costs of patients under Medicare and Medicaid. Under the complicated Federal Reimbursement programs there is little incentive to hold down medical care costs and when reimbursements are cut the extra costs are merely shifted to paying patients.

What insurance companies and various hospital associations are doing to cut medical care costs will be the subject of another paper. Further attention will be devoted to other uncompensated costs that hospitals have to shift to paying patients. Particular attention will be focused on hospital costs in Mississippi.



INDEXES OF SELECTED MISSISSIPPI
ECONOMIC INDICATORS
[Seasonally Adjusted]
1969 = 100

Indicator	May 1983	April 1983	May 1982
Retail Sales	153.6	211.3	190.4
Electric Sales	134.0	215.8	208.0
Gasoline Gallonage	133.2	153.4	140.5
Loans of Savings & Loans Institutions	142.6	63.0	73.0

Food Stamp Participation By County, May, 1983

SOURCE: State Welfare Department

County	Number of Households ¹ (Average Allotment \$135.16)	Number of Persons ² (Average Allotment \$42.22)	Coupon Value ⁴ (Average Per Meal \$.47)	County	Number of Households ¹ (Average Allotment \$135.16)	Number of Persons ² (Average Allotment \$42.22)	Coupon Value (Average Per Meal \$.47)
Adams	2,910	8,493	375,164	Leflore	3,232	11,772	478,421
Alcorn	2,146	5,525	235,434	Lincoln	2,072	6,269	266,620
Amite	932	3,293	124,383	Lowndes	2,713	9,121	392,559
Attala	1,712	5,267	210,130	Madison	3,658	13,091	571,510
Benton	811	2,904	115,493	Marion	1,776	5,812	247,031
Bolivar, E	3,076	11,535	473,975	Marshall	3,198	11,165	462,784
Bolivar, W	1,034	4,490	181,270	Monroe	1,802	5,599	234,699
Calhoun	1,008	2,891	109,165	Montgomery	1,357	3,822	149,136
Carroll	802	2,472	95,413	Neshoba	1,577	4,672	182,157
Chickasaw, E	366	1,068	38,394	Newton	1,202	3,457	134,693
Chickasaw, W	706	2,038	73,722	Noxubee	1,599	5,518	227,882
Choctaw	752	2,185	86,999	Oktibbeha	1,988	6,146	268,968
Claiborne	1,256	3,970	175,691	Panola	2,464	9,137	365,615
Clark	1,231	3,408	136,082	Pearl River	1,945	5,695	256,234
Clay	1,636	5,199	224,813	Perry	1,122	3,250	138,607
Coahoma	3,745	13,568	576,825	Pike	2,588	8,046	358,304
Copiah	1,931	5,927	261,694	Pontotoc	1,178	3,061	111,268
Covington	1,297	4,227	169,365	Prentiss	1,352	3,724	146,877
DeSoto	2,136	7,651	303,633	Quitman	1,303	4,986	196,633
Forrest	4,253	11,800	521,992	Rankin	2,243	6,823	272,768
Franklin	902	2,537	107,033	Scott	1,514	4,627	182,013
George	1,218	3,771	168,495	Sharkey	970	4,047	157,344
Greene	1,009	3,144	138,357	Simpson	1,434	4,260	172,138
Grenada	1,245	4,028	163,123	Smith	819	2,490	92,212
Hancock	1,785	5,214	240,391	Stone	691	2,317	99,501
Harrison	6,135	19,203	865,948	Sunflower	2,805	11,458	450,649
Hinds	14,584	44,451	2,009,062	Tallachatchie	1,870	7,326	289,735
Holmes	3,439	11,502	512,343	Tate	1,610	5,097	206,029
Humphreys	1,128	4,368	172,157	Tippah	1,459	4,212	163,953
Issaquena	250	961	36,112	Tishomingo	1,058	2,610	109,116
Itawamba	847	2,213	82,536	Tunica	1,357	5,189	207,348
Jackson	5,794	19,011	922,954	Union	1,237	3,480	133,356
Jasper	1,203	3,907	152,007	Walthall	1,168	3,960	160,238
Jefferson	992	3,300	126,101	Warren	3,087	9,331	418,820
Jeff Davis	1,267	1,075	166,375	Washington	6,397	22,659	991,215
Jones	2,896	8,304	331,247	Wayne	1,852	5,667	240,904
Kemper	757	2,553	97,547	Webster	747	2,012	82,113
Lafayette	1,181	3,617	139,307	Wilkinson	1,121	3,487	134,933
Lamar	1,594	4,699	204,068	Winston	1,916	5,860	236,765
Lauderdale	3,771	11,418	490,411	Yalobusha	1,039	3,052	122,601
Lawrence	920	2,730	108,162	Yazoo	2,798	9,371	403,016
Leake	1,886	5,492	224,412				
Lee	2,187	5,966	249,556	State Total	168,048	536,053	22,714,106

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person (\$42.22) by total number of average meals a month (90)

Mississippi Agriculture Report

June, 1983

The June 15, 1983 Index of Prices Received by Mississippi farmers for all commodities was down 1 point (1 percent) from the previous month at 107 percent of its January-December 1977 average.

Decreases in soybean prices were responsible for the 3 point (3 percent) decline in the All Crops Index leaving it at 89 percent of its January-December 1977 average. Increases in Beef cattle, calf, broiler, and dairy prices were responsible for the 3 points (2 percent) rise in the Livestock Products Index leaving it at 132 percent of its January-December 1977 average.

The June ratio prices received by Mississippi farmers to U.S. prices paid was 67 percent of its January-December 1977 average. The Index of Prices Paid by Farmers for Commodities, Services, Interest, Taxes, and Farm Wage Rates for June was 160, unchanged from mid-May.

PRICES RECEIVED AND PAID BY FARMERS-MISSISSIPPI

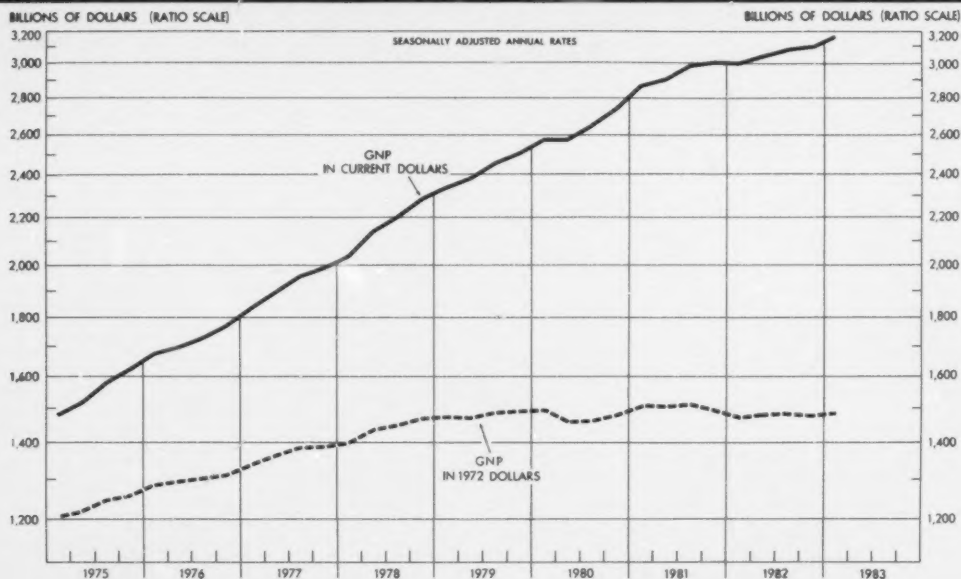
COMMODITY	UNIT	Jun 15 1982	May 15 1983 ³	Jun 15 1983
----- Dollars -----				
<u>PRICES RECEIVED</u>				
Rice ⁴	Cwt.	8.54	8.23	8.23
Sweetpotatoes	Cwt.	⁷ / ₇	⁷ / ₇	⁷ / ₇
Soybeans	Bu.	6.29	6.33	5.89
Cotton	Lb.	.640	.587	.587
Cottonseed	Ton	⁷ / ₇	⁷ / ₇	⁷ / ₇
Hogs ⁴	Cwt.	57.50	45.90	44.50
Cows	Cwt.	39.50	40.00	40.80
Steers & Heifers	Cwt.	59.00	57.70	56.60
Beef Cattle	Cwt.	45.80	47.70	48.80
Calves	Cwt.	59.60	60.30	60.90
Milk Cows ¹ / ₁	Head	⁶ / ₆	⁶ / ₆	⁶ / ₆
All Milk, Whol.	Cwt.	14.00	13.60	13.70
Fluid	Cwt.	14.10	13.60	--
Mfg.	Cwt.	12.00	12.60	--
Comm. Broilers ² / ₂	Lbs.	.300	.260	.280
Eggs	Doz.	.402	.578	.509
<u>PRICES PAID FOR FEED</u>				
Hog Feed,				
14-18% Protein	Cwt.	11.00	11.00	11.00
Beef Cattle Concentrate,				
32-36% Protein	Cwt.	10.50	11.50	11.50
Cottonseed Meal,				
41% Protein	Cwt.	12.00	12.00	12.00
Soybean Meal,				
44% Protein	Cwt.	13.50	13.50	13.00
Dairy Feed,				
16% Protein	Ton	173.00	179.00	180.00
Chick Starter	Ton	199.00	192.00	187.00
Laying Feed	Ton	165.00	158.00	157.00
Broiler Grower	Ton	210.00	197.00	179.00

¹/ Animals sold for dairy herd replacement only. ²/ Liveweight equivalent. ³/ Prices for rice, milk, soybeans, cotton and livestock relate to the average prices for all sales during the month. ⁴/ U.S. Price. ⁵/ Market (table) eggs, including eggs sold retail by producers. ⁶/ Prices published January, April, July and October. ⁷/ Insufficient sales.

SOURCE: Mississippi Crop and Livestock Reporting Service, Mississippi Department of Agriculture & Commerce.

GROSS NATIONAL PRODUCT, MAY, 1983

According to revised estimates for the first quarter of 1983, gross national product rose \$62.7 billion or 8.3 percent, both at annual rates. Real output (GNP adjusted for price changes) rose 2.5 percent (annual rate) and the implicit price deflator rose at a 5.7 percent annual rate.



SOURCE: DEPARTMENT OF COMMERCE

COUNCIL OF ECONOMIC ADVISERS

(Billions of current dollars; quarterly data at seasonally adjusted annual rates)

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment	Exports and imports of goods and services				Government purchases of goods and services				Final sales
				Net exports	Exports	Imports	Total	Federal			State and local	
								Total	National defense	Non-defense		
1972.....	1,185.9	737.1	195.0	0.7	77.5	76.7	253.1	101.7	73.1	28.5	151.4	1,175.7
1973.....	1,326.4	812.0	229.8	14.2	100.6	95.4	270.4	102.0	72.8	29.1	168.5	1,307.9
1974.....	1,434.2	888.1	228.7	13.4	146.2	132.8	304.1	111.0	77.0	33.9	193.1	1,420.1
1975.....	1,549.2	976.4	206.1	26.8	154.9	128.1	339.9	122.7	83.0	39.7	217.2	1,556.1
1976.....	1,718.0	1,084.3	257.9	13.8	170.9	157.1	362.1	129.2	86.0	43.2	232.9	1,706.2
1977.....	1,918.3	1,204.4	324.1	-4.0	182.7	186.7	393.8	143.4	92.8	50.6	250.4	1,895.3
1978.....	2,163.9	1,346.5	386.6	-1.1	218.7	219.8	431.9	153.6	100.3	53.3	278.3	2,137.4
1979.....	2,417.8	1,507.2	423.0	13.2	281.4	268.1	474.4	168.3	111.8	56.5	306.0	2,403.5
1980.....	2,633.1	1,667.2	402.3	25.2	339.2	314.0	538.4	197.2	131.4	65.8	341.2	2,643.1
1981.....	2,937.7	1,843.2	471.5	26.1	367.3	341.3	596.9	228.9	153.7	75.2	368.0	2,917.3
1982.....	3,059.3	1,971.1	420.3	20.5	350.8	330.3	647.4	257.9	178.6	79.3	389.4	3,083.1
1981: III.....	2,980.9	1,868.8	486.0	25.9	367.2	341.3	600.2	230.0	154.4	75.7	370.1	2,949.1
IV.....	3,003.2	1,884.5	468.9	23.5	367.9	344.4	626.3	250.5	166.9	83.6	375.7	2,989.9
1982: I.....	2,995.5	1,919.4	414.8	31.3	359.9	328.6	630.1	249.7	166.2	83.5	380.4	3,031.1
II.....	3,045.2	1,947.8	431.5	34.9	365.8	330.9	630.9	244.3	176.2	68.2	386.6	3,061.4
III.....	3,088.2	1,986.3	443.3	6.9	349.5	342.5	651.7	259.0	182.7	76.3	392.7	3,083.5
IV.....	3,108.2	2,030.8	391.5	9.1	328.1	319.1	676.8	278.7	189.3	89.4	398.0	3,156.5
1983: I.....	3,170.9	2,054.2	421.3	19.0	331.9	312.9	676.4	274.0	192.9	81.1	402.5	3,208.2

Source: Department of Commerce, Bureau of Economic Analysis.

CHANGES IN GNP AND GNP PRICE MEASURES

[Percent change from previous period; quarterly data at seasonally adjusted annual rates]

Period	Gross national product					Personal consumption expenditures				
	Current dollars	Constant (1972) dollars	Implicit price deflator	Chain price index	Fixed-weighted price index (1972 weights)	Current dollars	Constant (1972) dollars	Implicit price deflator	Chain price index	Fixed-weighted price index (1972 weights)
1971	8.6	3.4	5.0	4.9	4.8	8.1	3.7	4.3	4.3	4.2
1972	10.1	5.7	4.2	4.1	4.0	9.6	5.8	3.7	3.6	3.5
1973	11.8	5.8	5.8	6.0	6.0	10.2	4.2	5.7	6.1	6.1
1974	8.1	-6	8.8	9.1	9.4	9.4	-7	10.1	10.4	10.4
1975	8.0	-1.2	9.3	9.2	9.1	9.9	2.2	7.6	7.7	7.8
1976	10.9	5.4	5.2	5.7	5.8	11.0	5.6	5.1	5.3	5.3
1977	11.7	5.5	5.8	6.1	6.3	11.1	5.0	5.8	6.0	6.2
1978	12.8	5.0	7.4	7.6	7.8	11.8	4.5	7.0	7.3	7.4
1979	11.7	2.8	8.6	8.9	9.5	11.9	2.7	9.0	9.3	9.7
1980	8.9	-4	9.3	9.0	9.9	10.6	.3	10.3	10.7	11.2
1981	11.6	1.9	9.4	9.4	9.6	10.6	1.8	8.6	9.1	9.3
1982	4.1	-1.7	6.0	6.4	6.2	6.9	1.0	5.9	6.0	5.8
1981: III	11.4	2.2	9.0	9.2	8.9	11.3	2.9	8.2	8.0	7.6
IV	3.0	-5.3	8.8	8.4	8.5	3.4	-3.3	7.0	7.2	7.1
1982: I	-1.0	-5.1	4.3	5.0	4.8	7.6	2.5	5.0	5.2	4.8
II	6.8	2.1	4.6	4.6	4.1	6.1	2.5	3.5	3.6	3.2
III	5.8	.7	5.0	6.0	5.9	8.1	.6	7.5	7.1	7.3
IV	2.6	-1.1	3.7	5.1	4.9	9.3	4.5	4.5	5.5	5.6
1983: I'	8.3	2.5	5.7	3.4	3.2	4.7	2.6	2.0	2.3	1.7

Note: Annual changes are from previous year and quarterly changes are from previous quarter.

Source: Department of Commerce, Bureau of Economic Analysis.

General Fund Collections Compared with Estimates and Prior Year Collections for Same Period

	CURRENT YEAR COLLECTIONS			BUDGET COMMISSION ESTIMATE	PRIOR COLLECTIONS
	7/1/82	Over or Under		FISCAL YEAR	FISCAL YEAR
	to	Estimate to 6/30/83		1982-1983	1981-1982
	6/30/83	Amount	Percent		
Tax Commission Transfers to the General Fund	\$1,118,906,161	\$(112,368,939)	(9.13)	\$1,231,275,100	\$1,121,901,997
Other Than Tax Commission Transfers to General Fund	<u>77,277,512</u>	<u>30,328,519</u>	<u>64.60</u>	<u>46,948,993</u>	<u>66,229,019</u>
Total Ordinary General Fund	\$1,196,183,673	\$(82,040,420)	(6.42)	\$1,278,224,093	\$1,188,131,013
Loans Received from Other Funds	20,214,000	20,214,000	---	---	---
Short Term Loans	58,400,000	58,400,000	---	---	---
Total Transfers, Refunds & Other Receipts	<u>8,107,607</u>	<u>(3,892,393)</u>	<u>(32.44)</u>	<u>12,000,000</u>	<u>7,235,889</u>
Grand Total General Fund Collections	\$1,282,905,280	\$(7,318,813)	(0.57)	\$1,290,224,093	\$1,195,366,902

PRODUCER PRICE INDEXES FOR SELECTED COMMODITY GROUPINGS

(1967 = 100 unless otherwise indicated)

Commodity code	Grouping	Unadjusted index	
		Jan. 1983 1/	May 1983 1/
	All Commodities.....	299.9	301.7
	All Commodities (1957-59=100).....	310.2	320.1
	MAJOR COMMODITY GROUPS		
	Farm products and processed foods and feeds.....	245.8	254.7
01	Farm products.....	233.2	250.3
02	Processed foods and feeds.....	251.7	256.1
	Industrial commodities.....	313.9	313.8
03	Textile products and apparel.....	202.7	203.9
04	Hides, skins, leather, and related products.....	266.7	270.1
05	Fuels and related products and power 2/.....	683.6	654.8
06	Chemicals and allied products 2/.....	289.3	291.3
07	Rubber and plastic products.....	242.9	242.9
08	Lumber and wood products.....	293.3	306.2
09	Pulp, paper, and allied products.....	293.6	295.7
10	Metals and metal products.....	300.3	306.7
11	Machinery and equipment.....	283.3	285.6
12	Furniture and household durables.....	210.7	213.3
13	Nonmetallic mineral products.....	321.5	324.2
14	Transportation equipment (Dec. 1968=100).....	256.3	256.0
15	Miscellaneous products.....	285.7	287.1
	Industrial commodities less fuels and related products and power.....	275.4	278.1
	OTHER COMMODITY GROUPINGS		
01-2	Grains.....	206.3	242.2
01-3	Livestock.....	242.3	258.0
01-5	Plant and animal fibers.....	201.7	223.8
01-8	Hay, hayseeds, and oilseeds.....	212.4	227.3
01-9	Other farm products.....	279.9	281.0
02-1	Cereal and bakery products.....	257.3	259.8
02-2	Meats, poultry, and fish.....	252.3	257.7
02-5	Sugar and confectionery.....	282.1	289.5
02-6	Beverages and beverage materials.....	260.1	263.3
02-63	Packaged beverage materials.....	326.0	324.5
02-7	Fats and oils.....	201.7	219.4
04-4	Other leather and related products.....	255.2	255.2
05-3	Gas fuels 2/.....	1147.3	1159.0
05-7	Refined petroleum products 2/.....	720.6	664.5
06-3	Drugs and pharmaceuticals.....	218.6	225.3
06-5	Agricultural chemicals and products.....	283.2	282.9
06-7	Other chemicals and allied products.....	272.8	272.3
07-1	Rubber and rubber products.....	269.6	269.2
07-2	Plastic products (June 1978=100).....	133.0	133.4
07-11	Crude rubber.....	271.1	280.5
07-13	Miscellaneous rubber products.....	284.5	291.8
08-1	Lumber.....	326.8	357.3
09-1	Pulp, paper, and products, excluding building paper and board.....	258.8	269.1
09-15	Converted paper and paperboard products.....	265.0	264.5
10-1	Iron and steel.....	333.3	341.1
10-2	Nonferrous metals.....	267.0	277.9
11-3	Metalworking machinery and equipment.....	324.1	326.1
11-4	General purpose machinery and equipment.....	307.6	308.4
11-6	Special industry machinery.....	331.8	335.6
11-7	Electrical machinery and equipment.....	235.2	237.7
11-9	Miscellaneous machinery and equipment.....	272.9	275.2
12-6	Other household durable goods.....	302.8	313.7
13-2	Concrete ingredients.....	307.2	314.8
14-1	Motor vehicles and equipment.....	257.0	256.2
15-1	Toys, sporting goods, small arms, etc.....	222.7	226.5
15-4	Photographic equipment and supplies.....	210.0	216.9
15-9	Other miscellaneous products.....	350.8	348.6

1/ Data for Jan. 1983 have been revised to reflect the availability of late reports and corrections by respondents. All data are subject to revision 4 months after original publication.

* U.S. GOVERNMENT PRINTING OFFICE: 1983-301-006:372

2/ Prices of some items in this grouping are lagged 1 month.

SOURCE: United States Department of Labor Bureau of Labor Statistics

NEW AND EXPANDED INDUSTRY

Town	Firm	No. of Employees
------	------	------------------

NEW

Belmont	Screw Machine Products, Inc.	12
	Precision machine parts	

Cleveland	Runyon Asphalt Plant	35
	Asphalt	

New Albany	Bob Leith International	6
	Rattan & Brass furniture	

Richland	Ergon Corp.	30
	Woven plastic mats to absorb oil spills	
	Consolidated Freightways, Corp. of Delaware	300
	Distribution warehouse	

EXPANDED

Corinth	Hall of Mississippi	
	Rotogravure printing	

Drew	Itt United Plastics Division	10
	Custom molded parts	

Greenville	Davis Walker Steel and Wire	25
	Wire products	

Meridian	Owen-Corning	
	Fiberglass	

New Albany	Cane Creek Company	
	Rattan furniture	

	Denton Mills	150
	Children's sleepwear	

Philadelphia	Molpus Lumber Co.	33
	Lumber, chips, cross ties	

Roxie	Georgia-Pacific Corp.	10
	Lumber	

Sales Indicated By Sales Tax Collections During May, 1983 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,503	33,965	Lowndes	1,708	43,050
Alcorn	812	21,104			
Amite	146	3,978	Madison	967	30,576
Attala	347	9,131	Marion	650	15,126
			Marshall	388	8,929
Benton	60	1,427	Monroe	708	18,478
Bolivar	881	21,534	Montgomery	230	5,470
Calhoun	259	6,477	Neeshoba	478	13,082
Carroll	86	1,851	Newton	316	7,903
Chickasaw	297	7,823	Noxubee	164	4,376
Choctaw	93	2,146			
Chalbone	410	24,568	Oktibbeha	743	18,329
Clarke	191	5,236			
Clay	367	10,202	Panola	606	16,548
Coahoma	806	21,069	Pearl River	645	15,124
Copiah	387	9,234	Perry	407	21,792
Covington	424	9,576	Pike	1,080	24,822
			Pontotoc	285	6,568
			Prentiss	353	9,272
DeSoto	1,000	25,531			
Forrest	2,399	67,711	Quitman	136	3,065
Franklin	106	2,938			
			Rankin	1,823	53,574
George	245	5,730			
Greene	94	2,115	Scott	463	11,781
Grenada	560	15,582	Sharkey	131	2,972
			Simpson	453	10,902
Hancock	540	13,365	Smith	156	3,833
Harrison	4,456	115,823	Stone	207	4,680
Hinds	9,635	267,982	Sunflower	595	31,614
Holmes	325	7,429			
Humphreys	217	5,219	Tallahatchie	200	4,846
			Tate	332	8,024
Issaquena	6	132	Tippah	325	19,706
Itawamba	282	7,997	Tishomingo	307	11,293
			Tunica	144	3,716
Jackson	2,563	62,480			
Jasper	258	5,847	Union	378	10,081
Jefferson	74	1,699			
Jeff Davis	210	4,785	Walsh	224	5,336
Jones	2,141	51,830	Warren	1,388	33,305
			Washington	1,926	47,349
Kemper	110	2,455	Wayne	427	9,604
			Webster	148	3,730
Lafayette	617	14,598	Wilkinson	172	4,305
Lamar	375	9,400	Winston	319	7,371
Lauderdale	2,467	65,219			
Lawrence	173	4,162	Yalobusha	180	4,054
Leake	294	6,917	Yazoo	561	17,569
Lee	2,356	66,696			
Leflore	1,084	27,612			
Lincoln	824	21,229	State Total	65,034	1,806,111

Southeast Regional Economic Indicators

	NONFARM EMPLOYMENT			UNEMPLOYMENT RATE			PLANE PASSENGER ARRIVALS		
	Thousands			percent			Thousands		
	Apr. 1963	Mar. 1963	Annual % Change	Apr. 1963	Mar. 1963	Apr. 1963	Mar. 1963	Apr. 1963	Annual % Change
ALABAMA	1,305.5	1,305.9	- 1	13.5	13.1	13.1	117.8	96.5	- 4
Birmingham	332.8	330.7	- 3	13.3	14.0	11.8	57.9	42.8	+ 5
Huntsville	128.3	126.9	+ 3	10.1	11.5	11.4	23.2	18.5	+ 8
Mobile	145.9	145.7	- 2	14.5	15.5	12.5	23.9	18.9	- 27
Montgomery	103.3	103.2	- 1	11.6	12.5	11.3	12.8	10.4	- 4
FLORIDA	2,854.6	2,854.5	+ 2	8.4	8.9	7.9	2,815.3	2,378.9	+ 15
Daytona Beach	84.5	85.2	- 1	7.8	7.5	6.9	32.5	23.9	+ 15
Fl. Lauderdale	361.5	364.9	- 2	7.3	7.6	6.6	298.2	208.8	- 17
Jacksonville	312.3	311.3	+ 2	7.6	8.1	6.8	105.0	78.5	+ 31
Melbourne	111.7	111.5	+ 2	8.1	8.5	7.4	29.9	24.0	+ 86
Miami	737.0	736.9	- 1	8.3	8.7	10.5	938.5	830.7	+ 8
Orlando	336.0	334.8	+ 5	6.7	7.5	6.7	438.1	352.0	+ 22
Sarasota	77.4	76.2	+ 8	7.1	7.9	5.7	197.5	152.1	+124
Tallahassee	75.8	75.1	+ 1	5.1	5.4	4.3	27.7	21.6	+ 13
Tampa-St. Pete	604.1	603.7	+ 2	7.6	8.3	7.0	503.9	383.8	+ 23
West Palm Beach	225.9	221.3	+ 0	6.3	6.0	7.1	245.8	208.7	+ 24
GEORGIA	2,227.5	2,208.2	+ 1	7.2	8.1	7.4	1,846.8	1,454.8	+ 12
Atlanta	1,024.2	1,018.2	+ 2	6.1	6.9	6.0	1,793.4	1,418.4	+ 13
Augusta	123.7	123.2	+ 1	8.0	8.6	8.3	11.1	8.7	- 8
Columbus	78.1	77.9	- 2	8.7	9.6	8.9	6.3	4.8	- 10
Macon	98.9	98.6	- 1	7.2	7.9	6.7	6.1	3.6	- 15
Savannah	98.7	98.0	- 1	8.0	9.1	7.4	31.9	18.2	+ 12
LOUISIANA	1,590.3	1,588.4	- 2	11.9	12.4	8.1	292.3	260.4	+ 3
Baton Rouge	207.8	207.9	+ 0	9.6	8.8	7.7	27.4	26.8	+ 12
New Orleans	594.7	599.0	- 2	10.6	11.9	8.5	264.6	239.5	+ 3
MISSISSIPPI	787.5	782.7	- 2	11.5	11.6	10.6	37.6	25.3	+ 13
Biloxi-Gulfport	61.7	61.7	- 1	11.5	11.3	8.1	8.3	6.4	+ 38
Jackson	145.2	144.2	0	7.2	7.4	7.0	29.2	18.8	+ 7
TENNESSEE	1,878.8	1,851.2	+ 2	11.7	12.6	10.7	1,061.8	1,121.2	+ 7
Chattanooga	177.3	176.3	- 1	8.9	10.6	10.5	18.5	13.8	+ 16
Knoxville	207.8	205.8	- 1	10.4	10.9	7.1	26.2	26.1	+ 11
Nashville	401.3	396.9	+ 1	8.2	8.9	8.0	106.1	81.5	+ 5

	NONRESIDENTIAL BUILDING PERMITS			RESIDENTIAL SINGLE-FAMILY BUILDING PERMITS			RESIDENTIAL MULTI-FAMILY BUILDING PERMITS		
	Millions \$, 12-mo. Rate			No. of units, 12-mo. Rate			No. of units, 12-mo. Rate		
	Apr. 1963	Mar. 1963	Annual % Change	Apr. 1963	Mar. 1963	Annual % Change	Apr. 1963	Mar. 1963	Annual % Change
ALABAMA	347.6	377.2	- 18	8,285	5,959	+ 50	4,609	4,335	- 6
Birmingham	134.7	132.0	- 1	1,401	1,363	+ 18	288	246	- 97
Huntsville	36.1	36.8	- 22	1,200	1,127	+132	1,082	1,090	+140
Mobile	45.2	45.5	- 30	773	746	+ 32	872	737	- 22
Montgomery	28.1	28.4	- 17	-	-	-	-	-	-
FLORIDA	3,542.8	3,297.9	+ 6	76,305	68,624	+ 22	59,433	57,021	+ 1
Daytona Beach	68.0	68.1	+ 10	2,674	2,499	+ 23	974	1,013	- 40
Fl. Lauderdale	337.3	357.0	+ 20	2,690	2,514	+ 21	6,544	6,187	+ 26
Jacksonville	326.6	243.7	+107	4,238	3,974	+ 51	3,539	3,377	+108
Melbourne	92.7	83.9	+ 11	2,748	2,593	+ 10	1,203	1,209	+ 61
Miami	522.5	497.6	- 6	2,940	2,978	+ 25	6,356	5,877	- 1
Orlando	429.6	424.1	- 18	8,551	7,863	+ 45	3,743	3,570	+ 17
Sarasota	73.5	71.5	- 24	1,694	1,833	+ 22	1,701	1,708	+ 17
Tallahassee	33.6	33.2	- 5	1,535	1,422	+ 51	1,140	1,173	+ 59
Tampa-St. Pete	545.9	525.4	+ 28	11,466	10,932	+ 38	9,654	8,676	+ 10
West Palm Beach	315.4	318.1	- 5	6,198	5,822	+ 23	5,384	4,978	- 21
GEORGIA	1,043.1	985.9	- 0	31,657	28,978	+ 61	17,474	16,966	+ 77
Atlanta	694.4	638.8	+ 2	20,860	18,890	+ 67	8,083	7,550	+ 34
Augusta	31.4	30.2	- 36	1,706	1,595	+122	1,112	741	+383
Columbus	24.6	25.8	- 34	359	314	+ 53	387	291	+212
Macon	28.1	32.8	- 42	-	-	-	-	-	-
Savannah	49.5	63.7	+ 3	-	-	-	-	-	-
LOUISIANA	1,103.4	1,064.2	+ 21	13,682	12,913	+ 52	10,820	10,082	+ 39
Baton Rouge	220.7	198.0	+ 89	2,658	2,647	+ 86	2,503	2,478	+ 49
New Orleans	391.0	404.0	+ 8	4,758	4,484	+ 67	4,125	3,772	+ 72
MISSISSIPPI	163.3	168.7	- 8	4,057	3,857	+ 38	2,714	2,522	+ 59
Biloxi-Gulfport	21.9	23.5	- 33	-	-	-	-	-	-
Jackson	41.3	41.9	- 34	487	431	+ 53	517	439	+895
TENNESSEE	614.7	591.1	- 14	9,935	9,358	+ 50	7,499	7,159	+ 44
Chattanooga	59.3	58.8	- 32	820	781	+ 39	271	482	+ 70
Knoxville	83.9	86.2	- 22	1,088	1,042	+ 17	725	813	- 61
Nashville	182.3	174.3	- 5	2,872	2,712	+88	2,975	2,794	+112

NOTES:

Labor Force data are from Bureau of Labor Statistics reports supplied by state agencies. Plane Passenger Arrivals are collected from 28 airports. Building Permit data are supplied by the U. S. Bureau of the Census. Nonresidential data excludes the cost of construction for publicly owned buildings. The annual percent change calculation is based on the most recent month over prior year.

SOURCE: Federal Reserve Bank of Atlanta

STATE ECONOMIC INDICATORS

Indicator	May 1983 ¹	April 1983 ¹	May 1982 ²	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	936,800	933,000	959,600	0.4	-2.4
Non-Ag Employment	790,200	787,500	801,100	2.7	-10.9
Mining	10,800	11,200	12,500	-0.4	-1.7
Contract Construction	40,700	40,000	42,100	0.7	-1.4
Manufacturing	200,300	197,400	206,100	2.9	-5.8
Transportation and Public Utilities	38,600	38,700	36,700	-0.1	-1.1
Wholesale and Retail Trade	161,800	161,000	162,100	0.6	-0.3
Finance, Insurance and Real Estate	33,000	33,000	32,900	-0-	0.1
Service	124,200	124,400	123,500	-0.2	0.7
Government	180,700	181,800	182,200	-1.1	-1.5
Unemployment Rate (Per Cent Labor Force)	12.5	12.4	11.2	-	-
Average Weekly Earnings in Manufacturing (Dollars)	263.67	261.22	248.32	1.0	6.3
Average Hourly Earnings in Manufacturing (Dollars)	6.63	6.63	6.40	-0-	3.6
Average Weekly Hours in Manufacturing	39.8	39.4	38.8	1.0	2.6
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,593	2,651	2,726	-2.2	-4.9
Gasoline Delivered to Dealers (gals.) ⁶	106,912	117,665	130,594	-9.3	-18.1
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	22,801	10,770	11,300	111.7	101.8
Construction Loans	11,485	12,400	1,900	-7.4	504.5
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	1,042,923	1,599,530	1,629,336	-34.8	-36.0
RETAIL SALES (000's)⁹					
	1,400,619	1,225,369	1,450,657	14.3	-3.4
Indicator	February 1983	January 1982	February 1982	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹⁰					
Total Cash Receipts from Farm Marketings	118,749	280,286	128,469	-57.6	-7.6
Cash Receipts from Marketing Livestock	58,400	71,674	67,202	-18.5	-13.1
Cash Receipts from Marketing Crops	60,349	208,612	61,267	-71.1	-1.5

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for January

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock-Total for number of condominiums and 1-4 family homes

⁸Mississippi Power Company, Mississippi Power and Light Company and Tennessee Valley Authority

⁹Mississippi Tax Commission

¹⁰U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month May	PerCent Month Ago	Change Year Ago	Current Month May	Month Ago	Year Ago
Aberdeen	46,859	17.7	10.0	117,000	530,000	12,400
Baldwyn	22,806	2.7	-0-	---	---	---
Batesville	59,555	1.5	9.8	239,756	7,000	16,000
Bay Springs	24,565	29.5	7.4	---	---	---
Bay St. Louis	42,013	7.6	8.4	---	---	---
Belmont	9,917	-4.1	8.0	---	---	---
Belzoni	27,520	8.2	1.5	31,000	3,000	22,000
Biloxi	294,633	6.3	-0-	1,361,718	2,710,198	1,379,171
Brandon	45,898	28.2	26.6	65,000	1,416,500	276,500
Brookhaven	126,248	17.9	-2.0	386,700	159,000	154,555
Brooksville	2,836	1.4	16.4	---	---	---
Canton	63,223	2.3	2.3	---	---	---
Carthage	43,302	18.4	11.6	59,375	5,500	23,000
Charleston	15,724	-2.9	-9.7	---	---	---
Clarksdale	129,592	23.9	0.8	106,900	564,044	243,450
Cleveland	104,722	27.3	2.6	---	---	---
Collins	35,491	44.1	30.0	-0-	65,000	25,000
Columbia	106,399	25.5	-5.5	---	---	---
Columbus	248,700	18.5	-2.6	---	---	---
Corinth	126,731	22.4	18.0	91,700	66,800	186,240
Crystal Springs	21,882	-7.7	-20.2	21,900	67,000	-5,800
Drew	11,084	32.6	-0.4	---	---	---
Edwards	2,987	21.2	-7.3	---	---	---
Ellisville	13,776	-6.8	-8.9	---	---	---
Eupora	16,358	6.4	3.2	---	---	---
Fayette	9,922	-0.9	4.8	---	---	---
Forest	52,491	6.1	7.8	278,100	160,000	-0-
Greenville	265,996	13.9	2.8	---	---	---
Greenwood	164,333	9.5	2.3	384,500	149,100	275,280
Grenada	89,317	5.5	7.3	195,000	275,000	297,000
Gulfport	304,911	15.2	3.6	1,551,279	3,226,270	1,266,360
Hattiesburg	393,029	6.8	0.9	5,514,780	681,042	918,390
Hernando	31,408	83.7	27.3	---	---	---
Hollandale	13,974	25.4	-6.3	22,985	34,000	19,500
Holly Springs	43,830	10.7	-2.0	32,500	1,554,385	7,500
Houston	33,653	4.3	7.1	272,000	198,900	42,500
Indianola	66,080	14.1	-4.8	---	---	---
Iuka	25,542	1.8	-7.6	---	---	---
Jackson	1,556,488	7.2	-0.3	5,941,125	6,384,655	6,412,551
Kosciusko	54,635	6.0	2.6	41,000	121,900	53,000
Laurel	310,820	12.7	-11.8	553,996	408,125	251,294
Leland	22,263	35.5	5.3	---	---	---
Lexington	23,550	71.9	21.0	---	---	---
Louisville	50,614	4.4	-15.3	334,484	221,508	130,100
Lucedale	37,801	21.4	26.4	34,000	50,000	10,000
Lumberton	8,300	5.6	-1.9	---	---	---
Macon	17,453	8.0	0.4	---	---	---
Magee	46,205	8.7	9.7	---	---	---
Magonolia	9,609	0.3	-4.5	75,000	29,000	---
Marks	14,423	3.0	-10.2	---	---	---
McComb	140,860	27.7	-2.8	442,575	531,400	180,800
Meadville	6,113	-10.2	19.3	35,000	-0-	-0-
Mendenhall	21,312	15.2	13.3	37,000	-0-	9,000
Meridian	396,834	19.5	4.5	1,040,143	719,748	608,613
Monticello	20,290	13.5	7.7	187,000	23,300	---
Morton	19,451	9.5	5.4	---	---	---
Moss Point	51,719	9.6	-17.2	142,923	78,983	151,799
Natchez	224,783	7.1	-21.4	391,200	289,686	261,100
New Albany	60,961	15.5	9.3	161,600	169,590	111,641
Newton	23,889	-2.0	1.0	116,000	80,600	96,000
Ocean Springs	77,390	16.7	-9.2	---	---	---
Okolona	15,121	6.5	10.2	46,000	88,300	-0-
Oxford	101,145	20.9	11.0	670,009	216,800	142,550
Pascagoula	209,690	13.3	-5.3	---	---	---
Pass Christian	16,120	22.3	25.9	---	---	---
Philadelphia	269,798	427.9	387.5	---	---	---

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month May	PerCent Month Ago	Change Year Ago	Current Month May	Month Ago	Year Ago
Picayune	90,721	13.0	0.3	606,000	611,000	150,400
Pontotoc	41,388	6.0	11.1	—	—	—
Poplarville	17,984	15.0	8.7	40,000	—0—	36,000
Port Gibson	16,253	11.5	1.6	—	—	—
Prentiss	24,186	29.8	8.6	214,300	21,500	10,500
Quitman	24,121	7.4	6.9	—	—	—
Raymond	4,044	—0.6	—10.7	—	—	—
Richton	9,780	0.1	1.7	35,000	—0—	—
Rosedale	7,017	—1.8	—8.4	—	—	—
Ruleville	11,469	12.2	10.3	—	—	—
Sardis	18,053	8.0	17.3	4,000	—0—	—0—
Senatobia	48,384	2.4	27.5	125,000	114,000	32,000
Shelby	8,852	20.5	6.6	—	—	—
Starkville	115,023	38.4	9.6	780,400	805,000	208,780
Summit	10,179	3.2	—6.8	—	—	—
Taylorville	14,524	35.5	16.5	—	—	—
Tchula	4,572	19.6	—7.2	—	—	—
Tunica	16,391	—3.9	4.8	—	—	—
Tupelo	353,837	17.4	7.3	1,970,870	1,236,297	1,183,926
Union	15,094	14.2	11.2	—	—	—
Utica	11,722	77.1	35.1	—	—	—
Vicksburg	209,222	20.3	13.4	777,983	1,616,080	176,700
Walnut Grove	1,620	—25.2	27.9	—	—	—
Water Valley	22,667	12.9	1.4	—	—	—
Waynesboro	61,568	25.2	—14.1	18,000	65,000	146,000
West Point	58,999	29.3	1.4	247,450	—0—	261,105
Wiggins	28,805	30.8	35.8	143,500	61,000	26,500
Winona	32,484	9.6	—0.6	98,500	63,000	87,250
Yazoo City	64,148	14.1	—5.4	—	—	—

STANDARD METROPOLITAN STATISTICAL AREAS

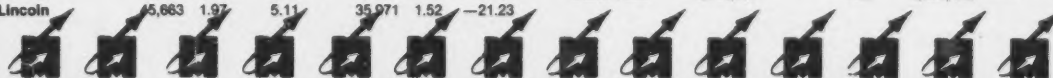
JACKSON [Hinds and Rankin Counties]	May 1983	April 1983	May 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	158,600	158,300	161,400	0.2	—1.7
Unemployed Persons	12,300	11,400	11,400	7.9	7.9
Per Cent of Labor Force	7.8	7.2	7.1	—	—
Employed Persons	146,300	146,900	150,000	—0.4	—2.5
Non-Ag Wage & Salaries	125,100	126,000	128,400	—0.7	—2.6
Manufacturing	19,100	19,200	19,400	—0.5	—1.5
CITY SALES TAX COLLECTIONS	1,621,139	1,501,051	1,577,823	8.0	2.7
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	70,460	70,100	69,280	0.4	1.7
Unemployed Persons	8,790	8,080	5,730	8.8	53.4
Per Cent of Labor Force	12.5	11.5	8.3	—	—
Employed Persons	61,670	62,020	63,550	0.6	3.0
Non-Ag Wage & Salaries	51,930	52,360	53,590	0.8	3.1
Manufacturing	9,180	9,220	9,380	0.4	2.1
CITY SALES TAX COLLECTIONS	615,664	554,920	601,813	10.9	2.3

Timber Severance Tax Collections for Mississippi Counties, 1981 and 1982

SOURCE: Mississippi Tax Commission. Computations made by the Division of Business Research.

County	1981	% of State	% of Change	1982	% of State	% of Change
Adams	18,245	0.79	-0.04	18,482	0.78	1.30
Alcorn	11,751	0.51	32.5	11,248	0.47	-4.30
Amite	61,737	2.67	7.21	68,003	2.87	10.15
Attala	57,142	2.47	20.50	60,420	2.55	5.74
Benton	7,452	0.32	-10.02	7,364	0.31	-1.20
Bolivar	3,202	0.14	-47.5	2,257	0.10	-29.51
Calhoun	35,113	1.52	21.64	22,262	0.94	-36.80
Carroll	16,461	0.71	24.31	21,548	0.91	30.90
Chickasaw	16,652	0.72	39.31	19,706	0.83	18.34
Choctaw	28,887	1.25	17.38	32,202	1.36	11.48
Clalborne	22,644	1.00	3.24	29,805	1.26	31.62
Clarke	62,820	2.71	10.51	68,200	2.87	8.56
Clay	18,455	0.80	96.27	19,625	0.83	6.34
Coahoma	2,690	0.12	15.33	1,573	0.07	-41.52
Copiah	67,189	2.90	33.73	57,134	2.41	-15.00
Covington	22,472	0.97	26.42	33,942	1.43	51.04
DeSoto	190	0.01	-89.89	1,888	0.08	893.68
Forrest	33,089	1.43	-14.65	56,548	2.36	70.90
Franklin	48,714	2.10	4.50	56,566	2.38	16.12
George	29,459	1.27	-43.61	30,529	1.29	3.63
Greene	55,380	2.39	-29.83	54,938	2.31	-0.80
Grenada	11,510	0.50	13.88	14,994	0.63	30.27
Hancock	36,962	1.60	100.56	23,642	1.00	-36.52
Harrison	27,512	1.19	3.06	38,093	1.61	37.96
Hinds	17,736	0.77	47.95	12,071	0.51	-31.94
Holmes	28,670	1.24	11.27	28,336	1.20	-1.20
Humphreys	732	0.03	32.97	662	0.03	-9.60
Issaquena	11,809	0.50	1.22	3,631	0.15	-68.72
Ivawamba	27,127	1.17	19.56	30,847	1.30	13.71
Jackson	31,583	1.36	40.72	20,875	0.88	-33.90
Jasper	65,361	2.82	1.60	57,215	2.41	-12.50
Jefferson	26,724	1.15	16.43	35,970	1.52	34.60
Jeff Davis	32,117	1.39	8.58	32,818	1.40	2.18
Jones	61,196	2.64	19.64	53,782	2.30	-12.12
Kemper	53,873	2.33	5.48	59,701	2.52	10.82
Lafayette	25,685	1.11	4.42	20,369	0.86	-20.70
Lamar	30,672	1.32	10.59	53,220	2.24	73.51
Lauderdale	53,338	2.30	4.43	65,994	2.78	23.73
Lawrence	31,835	1.37	-12.23	32,509	1.37	2.12
Leake	42,274	1.83	7.44	48,764	2.06	15.35
Lee	5,333	0.23	8.93	7,713	0.33	44.63
Leflore	2,673	0.12	41.06	847	0.04	-68.31
Lincoln	15,663	0.67	5.11	35,971	1.52	-21.23

County	1981	% of State	% of Change	1982	% of State	% of Change
Lowndes	7,627	0.33	11.91	5,405	0.23	-29.13
Madison	19,235	0.83	-17.20	13,394	0.56	-30.37
Marion	24,596	1.06	-14.52	28,320	1.20	15.14
Marshall	11,342	0.49	7.58	14,400	0.61	27.00
Monroe	33,104	1.43	20.11	30,350	1.28	-8.32
Montgomery	31,475	1.36	55.68	32,590	1.37	3.54
Neshoba	39,901	1.72	-16.85	35,208	1.50	-11.76
Newton	56,088	2.42	10.64	52,163	2.20	-7.00
Noxubee	37,427	1.62	1.15	45,320	1.91	21.10
Oktibbeha	25,811	1.11	3.58	16,702	0.70	-35.30
Panola	6,228	0.27	19.33	5,748	0.24	-7.71
Peari River	46,961	2.03	3.55	50,476	2.13	7.50
Perry	55,623	2.40	40.21	36,487	1.54	-34.40
Pike	38,126	1.65	4.52	35,415	1.50	-7.11
Pontotoc	13,549	0.58	-9.26	9,554	0.40	-29.49
Prentiss	16,696	0.72	13.76	15,000	0.63	-10.16
Quitman	734	0.03	38.49	695	0.33	-5.31
Rankin	78,839	3.40	64.95	68,051	2.87	-13.68
Scott	60,760	2.62	32.10	51,599	2.20	-15.08
Sharkey	5,290	0.23	79.63	4,501	0.91	-14.91
Simpson	44,679	1.93	14.02	52,348	2.21	17.16
Smith	49,089	2.12	33.14	55,839	2.35	13.75
Stone	26,950	1.16	-19.54	46,915	2.00	74.08
Sunflower	211	0.01	-0.42	345	0.01	63.51
Tallahatchie	4,031	0.17	63.73	4,450	0.20	10.40
Tate	1,074	0.05	18.15	273	0.01	-74.60
Tippah	10,527	0.45	-1.82	14,566	0.61	38.37
Tishomingo	18,515	0.80	3.33	30,086	1.30	62.50
Tunica	5,439	0.23	18.39	2,473	0.10	-54.53
Union	9,255	0.40	11.79	5,852	0.25	-36.77
Walthall	16,237	0.70	1.78	18,597	0.80	14.53
Warren	13,231	0.57	67.50	13,458	0.60	1.72
Washington	4,061	0.18	16.70	2,513	0.11	-38.12
Wayne	62,950	2.72	-14.75	68,381	2.90	8.63
Webster	35,995	1.55	41.65	28,569	1.20	-20.63
Wilkinson	38,863	1.67	19.37	51,668	2.20	33.64
Winston	51,701	2.23	-2.88	45,178	1.90	-12.62
Yalobusha	16,595	0.72	58.27	22,210	0.94	33.84
Yazoo	7,703	0.33	10.55	6,081	0.26	-21.10
State Total	2,316,347	—	1.06	2,373,442	—	2.50



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Developing an Internal MD&T Department/Program in a Technical Organization: A Case Study

by
Daniel S. Cochran
and
Herbert Johnson

The need for management development and training (MD&T) programs in technical organizations is becoming increasingly evident. The primary reason for this is that the majority of the management personnel have technical backgrounds with little if any formal training in managerial skills. The purpose of this paper is to report how one major medical organization is developing its first internal MD&T department/program. This program is developing with the technical assistance of OD consultants as well as financial assistance through a Federal grant.

This joint-venture between the OD consultants and the organization's personnel director has resulted in an interesting three-phase approach which is being developed in accordance with a three-year plan. Figure 1 describes the on-going program by phase. In the early stages of the project the OD consultants played an instrumental role in the design, implementation and evaluation of the program. However, as the program reaches the final phase, the OD consultants gradually withdraw themselves from the project and the organization moves toward having a well developed internal MD&T department/program.

Design of the Training Program Content

In approaching a design for the first phase of a management development program for this institution, we first needed a perspective on the relative managerial sophistication of supervisory personnel. Since no prior training had been done on an institution-wide basis, this information had to be gained from both the subjective judgment of the training manager and an informal

survey of prospective attendees. The survey indicated that several departments had sent administrative personnel to various seminars but rarely on a consistent or sequential basis. Through examination of this information and discussions with the training manager we determined that few first-line supervisors had had any supervisory training. Thus we knew that our program must begin with the basics.

With the situation in perspective, we undertook the development of a program to provide a theory-oriented "management knowledge" base. We felt that, until these supervisors were familiar with the language of management and basic theories on the organization of an institution and the behavior of its personnel, they could scarcely be expected to effectively practice "hands on" management and behavioral techniques. The initial course outline we drew for presentation covered the essentials of a grounding in basic management and included estimates of the time frames necessary to cover the material. Working together with the officials of the institution, we made necessary adjustments and were able to finalize this plan; we had over 200 people to initially train in the space of six months. We divided the supervisors into eight groups of approximately twenty-five; each group would be exposed to thirty hours of training. The course outline was as follows:

Functional training
The planning process
Organizing resources
Developing policies and procedures
Delegating and controlling
Managing time

Behavioral training
The motivation to work
Learning theories in managing
Approaches to leadership
Managing stress and conflict
Internal communication

FIGURE 1
PROGRAM DEVELOPMENT PHASES

	<u>Primary Role of Participants</u>	<u>Nature of Training Methodology</u>
Phase I (1st Year)	OD consultants (design/implementation role) Trainers (boundary spanner role)	Seminars (primary theory oriented)
Phase II (2nd Year)	OD consultants (design/implementation role) Trainers (design/implementation role)	Workshops (primary application oriented)
Phase III (3rd Year)	Trainers (design/implementation role) OD consultants (advisory role)	Seminars and Workshops

Logistics of Training Sessions

One of our first considerations was whether or not to hold the training session on or off-site. We felt that sessions held off-site make good use of training time because the participants are not as prey to the temptation to leave the sessions to check in with their offices. Off-site sessions are typically longer in duration and consume more lengthy blocks of time. The longer duration allows participants to really get away from their working environment and also allows for greater depth of exploration into seminar topics. As with most other questions, economics prevailed and we decided to use our funds as economically as possible and go with an on-site program. We scheduled training sessions from 9:00 a.m.-12:00 p.m. and 1:00 p.m.-4:00 p.m. to allow the participants some time to initiate the day's activities at their work location and to follow-up at the end of the day.

We attempted to schedule all sessions at one of our buildings but internal politics and availability of rooms forced us to schedule sessions in several different locations. Obviously, this caused some confusion for us in organizing meetings as well as for participants. Because the size and layout of the facilities differed the seminar leaders had to make some alterations in the style of presentation and sometimes in the detail of the material presented. Our recommendation for anyone else in our situation would be to try to schedule all sessions in the same facilities.

One of the main criticisms from participants involved the logistics of the sessions which we anticipated beforehand but were unable to do much about. Let it suffice to say that we would have done it differently had we had the choice.

Format of the Training Sessions

Since the primary goal of phase I of the training was to provide participants with a "management knowledge base", we realized that the depth of examination of any one topic had to be limited. To cover the desired amount of material, we also realized that certain amount of the actual training had to be structured as lecture-style presentation along with in-class dialogues in order to develop the more important concepts. Within our time limitations, the use of workshop-type exercises, though preferable, had to be restricted to a small portion of the program. The workshop-type exercises that we were able to use included discussions of relevant personal experiences of the participants. In-house problems were explored in light of the concepts presented and the use of self-appraisal instruments relevant to leadership and conflict resolution styles were administered to each participant. Because we were so limited by time and content we felt that we had to include some alternate means of stimulation during our sessions. We thus relied upon films to break the continuity of lecture and discussion. Informal evaluation of the films reassured us that the participants responded well to the use of films as an educational aid. Most film presentations used were of twenty minutes or less duration and dealt with an aspect of the session's topic.

As we have noted earlier, the size of our groups averaged twenty-five; because of the limited choice of facilities we were faced with, we had to arrange some groups in a classroom-type configuration, some arranged at small tables in a workshop-type manner, and the rest in a seminar plan. We found the results of such variations in physical set-up to be a confirmation of our previously held contentions that the seminar-type facility was more conducive to real interaction and understanding. Although we did not approach this comparison scientifically, we do recommend that similar meetings be held in a room where the participants can generally face and interact with each other and the instructors.

Implementation

Perhaps the most challenging task in implementing a by-invitation but voluntary MD&T program in an organization involves communicating and selling the program to the attendees. This is especially difficult when MD&T programs are completely new to the organization. The most frequent question asked is, "Why was I asked to participate in this program?"

Questions such as this must be anticipated early in the program and dealt with immediately. Otherwise, the learning experience during the program would be seriously jeopardized not to mention the attendance of the participants.

The approach used in this case was three-fold. First each school dean and their directors were given the responsibility of selecting the participants. They personally invited each nominee to participate. This was followed by sending a personal invitation and brochure from the personnel director to each participant two weeks prior to their first session. During the first session the trainers (OD consultants) provided an introduction dealing with possible apprehensions by discussing why the participants were selected and what benefits they might receive.

To effectively orient the participants, a program folder was prepared for each person. This contained a brief statement of purpose, and an outline of the program. Place cards were also distributed which in the seminar layout provided a basis of interaction between participants as well as between facilitator and participant.

Evaluation

A major criticism of personnel programs traditionally has been the lack of evaluation to determine the impact the program had on the participants as well as the organization. With this criticism in mind, an elaborate evaluation program was designed consisting of two major approaches:

1. participant feedback and
 2. organizational effectiveness feedback
- Each of these will be discussed separately.

Participant Feedback

Feedback from individual participants was obtained by using both objective and subjective techniques.

Objective Feedback-The application of an objective test of course retention was ruled out through the advice of the consultants who felt that, as this was the first management training experience for many of the supervisors, tests would have negative impact. It was also felt that emphasis should be placed on acceptance of concepts as well as retention of content. Because of this emphasis, a topic survey was administered at each day's session which garnered subjective information about the reactions to the importance of topics presented that day. This information was used by the instructors to gauge appropriateness of the presentation.

Each participant completed a scaled program evaluation instrument at the end of the final session. To construct this instrument, an examination of the major topic areas covered in the program was conducted. For each of these sixteen topical areas a descriptive statement was developed concerning the concept to be examined. Participants were asked to rate the concept as to its level of importance to them; as to his/her level of understanding of the concept; and as to how applicable this concept was to his/her own supervisory situation. An example of the scale used is presented below:

	Very low			Very high		
Level of importance	1	2	3	4	5	
Level of understanding	1	2	3	4	5	
Level of applicability	1	2	3	4	5	

This instrument was sent only to those participants who attended all five meetings of his/her particular session (118 people). We felt we would jeopardize the validity of our results if we included evaluations by those not directly exposed to all the topics dealt with in the program. A 55 percent response rate to the instrument was received within one week; a total of 70 participants.

The purpose of the instrument was not only to evaluate this training program but also to help construct workshops to be conducted during Phase II. Based on the analysis of the instrument, the following three topics were selected as workshop topics (Phase II): motivation, conflict and stress management, and time management. In each of these areas questionnaire respondents had indicated a high level of importance but a low level of application. In other words, they felt the topics were very important but that they needed additional indepth help in how to apply them.

Subjective Feedback-As this program was being presented for the first time, it was important to evaluate how people responded to the integration of this program into their working environment. A technique involving an indepth probing approach was therefore desirable to appraise the program's acceptance; its usefulness, and whatever collateral effects the program might have had on the organizational climate and morale. To achieve this end, a sample of persons who had participated in the program were randomly selected for small group feedback sessions. To insure maximum participation by each group member, the "nominal group technique" was utilized. The following two questions were posed and fully discussed with each group.

Nominal Group Questions

1. What aspects of this program can be valuable to our supervisory employees in the performance of their jobs?
2. What aspects of this program need adaptations or restructuring in order to be more relevant to 'reality' at the Health Science Center?

The overall impression gleaned from these meetings was a very positive one. In general the supervisor was gratified to know that the University was committed to their development as supervisors. Further, programs such as these provided participants not only useful information but also built confidence in their ability as supervisors.

Organizational Effectiveness

The long run objective of any management development program is the improvement of organizational effectiveness. The final step in evaluating the value of this program was to analyze the impact of the program by examining supervisory and classified turnover levels and grievance to volume related to issues involving supervisory action. A baseline for comparison is being formed and monitored. Participant group grievance averages and turnover rates are being compared with non-participant grievance averages and turnover rates. It is believed that these factors will be able to add dimension to the evaluation of the management development program, but only after enough time has passed to gain perspectives on them.

Lessons Learned

In retrospect, there are a number of key ideas concerning what we did well and what we would do if faced with a similar situations in the future. The following stand out as the most important:

1. The "management knowledge/theory base" of possible participants must be determined. This is especially important since many members of technically oriented organizations have had "zero" management training. Also it is worthwhile to determine their perceived training needs.
2. Wherever possible training sessions should be held off-location. This is likely to involve at least a full half-day session, with Mondays and Fridays being the least desirable days.
3. Introduction and "selling" of the program is extremely important. Those individuals who are least

responsive to an invitation to participate may be key targets. A good statement of program objectives along with encouragement from an individual's immediate supervisor might best present the situation as an opportunity or privilege.

4. Opportunities for evaluation and feedback are extremely helpful throughout the program. Session-by-session critiques plus overall program critiques can produce valuable insights while giving participants a role in shaping future inputs.

5. Programs are costly and time consuming. Therefore, it is important to insure that adequate technical expertise is available in the development stages of the program as well as in the presentation. Effective planning and organizing may be the least expensive part of the program, considering participant time involved, but it does represent an important ingredient to success. The cost of outside assistance at this stage can be a good investment. It is hoped that the experience described will assist personnel directors of organizations without an MD&T department to take a first step in establishing a management oriented in-house training program. We feel that such programs best serve the needs of organizations, and with technical assistance, are not beyond the reach of most organizations.

FOOTNOTE

¹For an excellent review of the "nominal group technique" see: Delbecq, Andre L., A.H. Van de Ven, and D.H. Gustafson, *Group Techniques for Program Planning*, Glenview, Illinois: Scott, Foresman and Company, 1975.



INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS [Seasonally Adjusted] 1989 = 100

Indicator	June 1983	May 1983	June 1982
Retail Sales	155.6	153.6	158.9
Electric Sales ¹	---	---	---
Gasoline Gallonage	149.9	133.2	151.1
Loans of Savings & Loans Institutions	207.7	142.6	46.6

¹Not given this month since figures from TVA were not available.

NEW AND EXPANDED INDUSTRY

Town Firm Product	No. of Employees
NEW	
Olive Branch Landau Uniforms Uniforms	170
EXPANDED	
Canton Tech-Aerofoam Products Polyurethane foam	10
Corinth ITT Communications Telephone units	235
Meridian United Plywood Plywood products	
Tupelo E.R. Carpenter Co., Inc. Polyurethane foam	100
West Point Blazon Flexible Flyer Children's play equipment	30
	7

Now That Your IRA Is Open, Consider the Possibilities

In a last-minute rush between year-end 1982 and tax filing time, a large portion of the \$30 billion estimated to have entered Individual Retirement Accounts (IRAs) poured in as people took advantage of wide, new accessibility to the retirement plan and its tax advantages. For someone in the 40% tax bracket, an IRA provides an \$800 tax savings on a \$2,000 investment. (See box)

But according to Thomas A. Sherman, Coopers & Lybrand national director of personal financial planning and tax partner in charge in C&L's Minneapolis office, you may want to take a closer look now that the dust has settled. "You probably opened the IRA for tax reasons, but it's an investment like any other investment, and it should serve a purpose in your overall personal financial plan."

First, You've Got a Choice!

With IRAs offered by banks, thrifts, credit unions, insurers, mutual funds and brokers in a dazzling array of investments—from the bank CD that offers a fixed return complete with FDIC insurance to the brokerage house accounts that allow you to manage your own money in the stock market—there is a choice guaranteed to fit your profile. But, says Philip K. Marblestone, tax partner in charge in C&L's St. Louis office, "The tendency is not to make an informed choice but to say instead, 'it's only \$2,000 a year, so let's just leave it where it is.' But what may seem like small potatoes now will be significant in years after it compounds and grows. Then you'll have to look at your IRA and make sure benefits are being maximized on an after-tax basis on ultimate distribution when retirement comes."

Marblestone boils the decision down to the same judgement that must be made for any investment: How much risk are you willing to take versus your need for security? And no IRA investment is free of all risk—even a fixed-rate CD is threatened by inflation.

Moving Accounts Isn't Hard

Switching among IRA accounts is fairly easy—with the change requiring as little as a call to your financial institution instructing the move into what looks like better investment among its family of IRA offerings.

Rollovers—where you actually withdraw and switch money between accounts yourself—are allowed by the government once each calendar year and must be completed within 60 days of closing the first account. In the eyes of the IRS, failure to make that 60-day limit means you've withdrawn your funds and you're subject to a 10% penalty and ordinary income tax.

Transfers between trustees—the financial institutions that serve as IRA custodians—are permitted without limits. But they must be made directly by one trustee sending the money to the other. The only catches are both trustees must allow these switches—and they usually do—and some trustees impose special charges to discourage funds from moving.

About the whole area of fees, Kevin M Hennessey, tax partner in charge in C&L's Pittsburgh office says "You need to shop the market because when you're talking about \$160 of interest (on \$2,000) and fees cut it down by \$50, your interest isn't that much, and the problem grows when you think about the interest you may be losing on these fees over a period of years."

Areas where charges may be levied include account opening or broker's commissions, annual service fees and switching charges. Special penalties may be imposed for withdrawing your funds before maturity—especially in the case of banks and thrifts that offer higher interest than the normal passbook rate based on the agreement to deposit funds for a specified period of time.

An Overview of Some Investment Options

Banks, thrifts and credit unions commonly offer fixed and variable rate certificates of deposit backed by government insurance on balances up to \$100,000. Terms typically run anywhere from 18 months to 10 years. Effective annual yield—here and in all IRAs—is the benchmark number that will tell you exactly what your account will earn in a year.

The major decision in these accounts is on interest rate direction and timing. Falling rates make fixed-rate certificates a good bet to lock in yields. Rising rates favor variable accounts that track the credit market. At what point you expect rates to rise or fall determines the short-or long-term commitment you want the account to have.

Brokers and mutual funds frequently offer a wide variety of investment vehicles, with the ability to make easy switches among the alternatives. A mutual fund family, for instance, may have money market, bond, long-term growth and capital gains funds—to name a few—and depending on market conditions, you can switch your fund with a phone call or split your investment among them.

If you like the idea of personally controlling your own investments, brokers frequently offer self-directed IRAs. Limited partnerships, Ginnie Mae unit trusts, zero-coupon securities and oil and gas royalty trusts give some further idea on the breadth of IRA possibilities.

IRA annuities are available through insurers as fixed or variable rate instruments that pay a lump sum or monthly income at retirement. Investments may include stocks, bonds and money market accounts.

A Planning Perspective

Marblestone cautions that because an IRA in an investment like any other, planning should embrace your total investment profile. "You have to compare the variables among other investment choices and make various assumptions. An IRA comes out (at retirement or withdrawal) as ordinary income; therefore, you could be converting capital gains into ordinary income."

The same need to compare carries over to other tax-sheltered retirement plan opportunities. For some people, company savings and salary reduction plans or Keogh plans may moot the IRA's strong points if a choice must be made among plans because of funding.

But Hennessey urges opening IRAs "if you can possibly get it in your budget. I tell my clients, 'Don't talk to me about tax shelters until you've taken advan-

tage of all the wonderful plans that are available today through your companies: the thrift plans where employers match a good part of your savings; the 401k (salary reduction) plans; IRAs; and then, before thinking about other tax shelters, going back to your thrift plan and putting more money in to take advantage of the compounding interest.' "

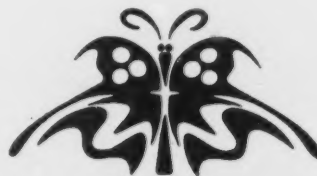
Some Background on the Demand for IRAs

The rush to open IRAs stems from a liberalization of the law beginning in 1982 that allows anyone earning a living—no matter if you're covered by a company pension plan or even Keogh plan for the self-employed—to open an account with a maximum \$2,000 a year for an individual, \$2,250 for a married couple with one spouse working and \$4,000 if both spouses work.

Also, in a rare provision for individual taxpayers, an IRA deduction can be claimed right up until the day taxes are filed (and if you've extended your tax filing until the August 15 deadline, you can still open an account).

The earliest that withdrawals can be made without a 10% penalty fee is 59½ years old. The latest you can begin taking money out is 70½. All withdrawals are taxes as ordinary income.

SOURCE: Cooper & Lybrand Executive Alert Newsletter, July-August, 1983.



Financial Transactions, Regional and United States, from Banks and S & L's, June, 1983

	JUN 1983	MAY 1983	JUN 1982	ANN. % CHG.		JUN 1983	MAY 1983	JUN 1982	ANN. % CHG.
UNITED STATES									
Commercial Bank Deposits	1,356,850	1,350,756	1,136,185	+ 11	Savings & Loans				
Demand	296,726	299,408	289,182	+ 3	Total Deposits	566,793	554,366	473,184	+ 19
NOW	77,916	76,758	56,803	+ 37	NOW	16,583	16,345	9,147	+ 81
Savings	336,927	329,493	150,750	+125	Savings	179,589	175,670	80,942	+122
Time	576,350	580,372	672,488	- 14	Time	366,956	364,844	383,031	- 4
Credit Union Deposits	45,452	45,112	33,711	+ 35	Mortgages Outstanding	487,925	487,127	505,824	- 7
Share Drafts	4,330	4,503	2,597	+ 74	Mortgage Commitments	27,647	24,686	16,304	+ 70
Savings & Time	33,555	33,973	26,607	+ 26					
KENTUCKY									
Commercial Bank Deposits	141,832	141,184	123,314	+ 15	Savings & Loans				
Demand	34,781	35,332	34,144	+ 2	Total Deposits	81,086	82,509	71,932	+ 13
NOW	10,010	9,981	7,370	+ 36	NOW	2,776	2,765	1,512	+ 84
Savings	37,572	36,400	14,925	+153	Savings	24,122	25,683	10,772	+124
Time	58,919	62,953	70,297	- 19	Time	56,636	56,692	59,570	- 5
Credit Union Deposits	4,416	4,346	3,380	+ 31	Mortgages Outstanding	65,748	65,612	74,239	- 11
Share Drafts	376	373	259	+ 45	Mortgage Commitments	3,985	3,832	3,430	+ 16
Savings & Time	3,680	3,617	2,850	+ 31					
ALABAMA									
Commercial Bank Deposits	14,980	14,690	13,825	+ 8	Savings & Loans				
Demand	3,584	3,624	3,468	+ 3	Total Deposits	4,335	4,309	3,560	+ 23
NOW	908	902	641	+ 42	NOW	114	119	89	+ 65
Savings	3,131	3,034	1,558	+102	Savings	785	757	430	+ 83
Time	7,817	7,862	8,896	- 10	Time	3,487	3,479	3,068	+ 14
Credit Union Deposits	613	613	543	+ 7	Mortgages Outstanding	APR	MAR	APR	
Share Drafts	67	70	55	+ 32	Mortgage Commitments	5,667	5,583	5,984	- 9
Savings & Time	483	455	429	+ 8		151	103	60	+132
FLORIDA									
Commercial Bank Deposits	49,805	48,735	40,398	+ 21	Savings & Loans				
Demand	12,408	12,638	12,075	+ 3	Total Deposits	52,814	52,343	47,121	+ 12
NOW	4,190	4,246	3,214	+ 30	NOW	1,985	1,962	1,074	+ 82
Savings	16,952	16,376	6,270	+170	Savings	16,788	16,530	7,706	+118
Time	16,513	16,548	16,727	- 14	Time	34,186	34,176	38,229	- 11
Credit Union Deposits	2,140	2,140	1,704	+ 27	Mortgages Outstanding	APR	MAR	APR	
Share Drafts	205	196	152	+ 34	Mortgage Commitments	58,718	58,687	65,515	- 15
Savings & Time	1,888	1,957	1,351	+ 27		2,919	2,812	2,833	+ 3
GEORGIA									
Commercial Bank Deposits	50,187	50,117	17,187	+ 17	Savings & Loans				
Demand	6,801	6,570	5,977	+ 9	Total Deposits	9,634	9,604	8,501	+ 13
NOW	1,314	1,309	1,051	+ 25	NOW	294	287	156	+ 88
Savings	4,601	4,450	1,858	+178	Savings	2,275	2,238	1,841	+119
Time	8,715	8,728	9,428	- 8	Time	7,339	7,335	7,329	- 1
Credit Union Deposits	885	876	882	+ 35	Mortgages Outstanding	APR	MAR	APR	
Share Drafts	43	44	25	+ 72	Mortgage Commitments	8,177	8,190	9,288	- 12
Savings & Time	783	745	589	+ 30		289	288	172	+ 68
LOUISIANA									
Commercial Bank Deposits	24,680	24,558	22,318	+ 11	Savings & Loans				
Demand	5,784	5,875	6,073	- 5	Total Deposits	7,757	7,668	5,633	+ 38
NOW	1,342	1,311	1,015	+ 32	NOW	170	166	90	+ 89
Savings	5,184	5,040	2,466	+110	Savings	2,280	2,169	851	+166
Time	12,891	12,871	13,332	- 3	Time	5,374	5,382	4,689	+ 15
Credit Union Deposits	N.A.	N.A.	N.A.		Mortgages Outstanding	APR	MAR	APR	
Share Drafts	N.A.	N.A.	N.A.		Mortgage Commitments	7,423	7,345	7,155	+ 4
Savings & Time	N.A.	N.A.	N.A.			411	429	281	+ 46
MISSISSIPPI									
Commercial Bank Deposits	11,382	11,388	10,180	+ 11	Savings & Loans				
Demand	2,383	2,399	2,309	- 8	Total Deposits	1,999	2,121	1,787	+ 13
NOW	784	789	550	+ 44	NOW	73	74	39	+ 87
Savings	2,433	2,349	741	+228	Savings	437	444	152	+186
Time	6,120	6,158	6,876	- 11	Time	1,514	1,629	1,578	- 4
Credit Union Deposits	N.A.	N.A.	N.A.		Mortgages Outstanding	APR	MAR	APR	
Share Drafts	N.A.	N.A.	N.A.		Mortgage Commitments	2,021	2,029	2,189	- 8
Savings & Time	N.A.	N.A.	N.A.			34	30	19	+ 79
MISSOURI									
Commercial Bank Deposits	21,849	21,495	19,338	+ 12	Savings & Loans				
Demand	4,201	4,226	4,242	- 1	Total Deposits	6,559	6,464	5,350	+ 23
NOW	1,462	1,424	899	+ 63	NOW	180	157	80	+100
Savings	5,251	5,149	2,134	+148	Savings	1,577	1,547	591	+187
Time	10,861	10,790	12,237	- 11	Time	4,838	4,791	4,677	+ 3
Credit Union Deposits	855	842	417	+ 57	Mortgages Outstanding	APR	MAR	APR	
Share Drafts	51	49	28	+ 98	Mortgage Commitments	5,862	5,778	6,127	- 5
Savings & Time	804	591	388	+ 58		181	170	87	+170

Notes: All deposit data are extracted from the Federal Reserve Report of Transaction Accounts, other Deposits and Vault Cash (FR2900), and are reported for the average of the week ending the 1st Wednesday of the month. This data, reported by institutions with over \$15 million in deposits as of December 31, 1978, and \$2.1 million or more in reservable liabilities, represents 95% of deposits in the six state area. The major differences between this report and the "call report" are also, the treatment of interbank deposits, and the treatment of float. The data generated from the Report of Transaction Accounts is for banks over \$15 million in deposits as of December 31, 1978. The total deposit data generated from the Report of Transaction Accounts eliminates interbank deposits by reporting the net of deposits "due to" and "due from" other depository institutions. The Report of Transaction Accounts subtracts cash in process of collection from demand deposits, while the call report does not. Savings and loan mortgage data are from the Federal Home Loan Bank Board Selected Balance Sheet Data. The Southeast data represent the total of the six states. Subcategories were chosen on a selective basis and do not add to total.

N.A. = Fewer than four institutions reporting.

Food Stamp Participation By County, June, 1983

SOURCE: State Welfare Department

County	Number of Households ¹ (Average Allotment \$134.93)	Number of Persons ² (Average Allotment \$41.12)	Coupon Value ³ (Average Per Meal \$.46)	County	Number of Households ¹ (Average Allotment \$134.93)	Number of Persons ² (Average Allotment \$41.12)	Coupon Value (Average Per Meal \$.46)
Adams	2,905	8,471	374,952	LeFlore	3,208	11,645	472,464
Alcorn	2,194	5,668	230,723	Lincoln	2,055	6,169	262,354
Amite	923	3,261	122,008	Lowndes	2,671	8,971	386,449
Attala	1,684	5,199	206,358	Madison	3,630	13,091	564,863
Benton	811	2,905	115,389	Marion	1,733	5,663	237,568
Bolivar, E	3,113	11,622	486,713	Marshall	3,190	11,107	459,030
Bolivar, W	1,027	4,440	178,373	Monroe	1,818	5,856	234,802
Calhoun	1,001	2,859	107,308	Montgomery	1,329	3,722	146,271
Carroll	782	2,371	91,153	Neshoba	1,560	4,624	180,245
Chickasaw, E	357	1,024	36,234	Newton	1,174	3,485	135,581
Chickasaw, W	694	1,996	72,249	Noxubee	1,597	5,523	227,662
Choctaw	734	2,150	84,030	Oktibbeha	1,941	6,098	269,423
Claiborne	1,268	4,061	161,642	Panola	2,472	9,195	363,821
Clark	1,223	3,399	134,964	Pearl River	1,895	5,489	244,186
Clay	1,632	5,273	222,782	Perry	1,105	3,139	135,570
Coahoma	3,772	13,658	582,220	Pike	2,537	7,804	339,995
Copiah	1,953	6,085	265,844	Pontotoc	1,149	2,945	107,675
Covington	1,277	4,097	166,982	Prentiss	1,317	3,554	140,251
DeSoto	2,096	7,389	293,788	Quitman	1,307	5,026	197,451
Forrest	4,163	11,648	519,492	Rankin	2,225	6,733	268,991
Franklin	902	2,537	107,319	Scott	1,478	4,514	174,695
George	1,220	3,809	169,417	Sharkey	987	4,113	160,846
Greene	1,020	3,185	139,234	Simpson	1,428	4,271	174,292
Grenada	1,242	3,972	161,221	Smith	798	2,410	90,823
Hancock	1,755	5,087	234,099	Stones	684	2,268	96,528
Harrison	5,987	18,761	847,852	Sunflower	2,801	11,447	455,964
Hinds	14,379	44,409	2,003,306	Tallahatchie	1,856	7,286	285,710
Holmes	3,430	11,499	509,973	Tate	1,587	5,028	199,786
Humphreys	1,102	4,275	167,989	Tippah	1,447	4,144	161,368
Issaquena	245	959	35,607	Tishomingo	1,037	2,542	99,307
Itawamba	856	2,162	81,165	Tunica	1,358	5,195	210,922
Jackson	5,802	18,996	920,749	Union	1,198	3,331	126,926
Jasper	1,197	3,869	152,355	Walthall	1,153	3,950	162,579
Jefferson	1,041	3,392	129,526	Warren	3,027	9,152	406,327
Jeff Davis	1,280	4,107	167,715	Washington	6,369	22,596	983,918
Jones	2,901	8,328	330,905	Wayne	1,842	5,663	239,316
Kemper	747	2,511	96,905	Webster	732	1,946	79,447
Lafayette	1,163	3,523	137,290	Wilkinson	1,114	3,455	136,213
Lamar	1,593	4,699	202,528	Winston	1,886	5,744	226,901
Lauderdale	3,769	11,423	486,597	Yalobusha	999	2,928	117,402
Lawrence	905	2,659	107,098	Yazoo	2,753	9,228	389,004
Leake	1,878	5,460	225,971				
Lee	2,200	5,944	247,945	State Total	166,670	533,890	22,488,876

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person (\$41.12) by total number of average meals a month (90)

Mississippi Cotton-Planted Acres, by Districts, 1979-1983

CROP REPORTING DISTRICTS	YEAR					1983 as	
	1979	1980	1981	1982	Indicated: 1983	Percent: Total	Percent: 1982
1. Upper Delta	306,500	303,000	296,500	231,700	175,000	24.3	76
2. N. Central	121,000	140,200	163,300	135,650	93,000	12.9	69
3. N. East	16,900	29,000	41,200	28,330	20,000	2.8	71
4. Lower Delta	468,200	484,600	498,000	405,100	282,000	39.2	70
5. Central	137,000	145,360	174,400	153,250	115,500	16.0	75
6. E. Central	15,400	15,675	17,600	11,060	9,000	1.2	81
7. S. West	23,600	31,060	37,800	33,925	25,000	3.5	74
8. S. Central							
9. S. East	1,400	1,105	1,200	985	500	.1	51
STATE	1,090,000	1,150,000	1,230,000	1,000,000	720,000	100.0	72

Egg Production in Mississippi

Month or Quarter	1982		1983			
	Eggs		Eggs		Table	Hatching
	Layers	Produced	Layers	Produced	Eggs	Eggs
	(000)	(Million)	(000)	(Million)	(Million)	(Million)
December ^{2/}	7,314	146	6,212	122	85	37
January	7,120	133	6,062	119	82	37
February	6,933	115	5,839	105	70	35
March	6,574 ^{1/}	381 ^{1/}	5,655	114	73	41
April			5,574	109	68	41
May			5,485	113	70	43
June	6,400 ^{1/}	379 ^{1/}	5,366	109	69	40
September-November	6,403 ^{1/}	370 ^{1/}				
Annual ^{3/}	6,625	1,524				

^{1/} Not available by months. ^{2/} December of previous year. ^{3/} Annual estimates cover the period December 1 through November 30.

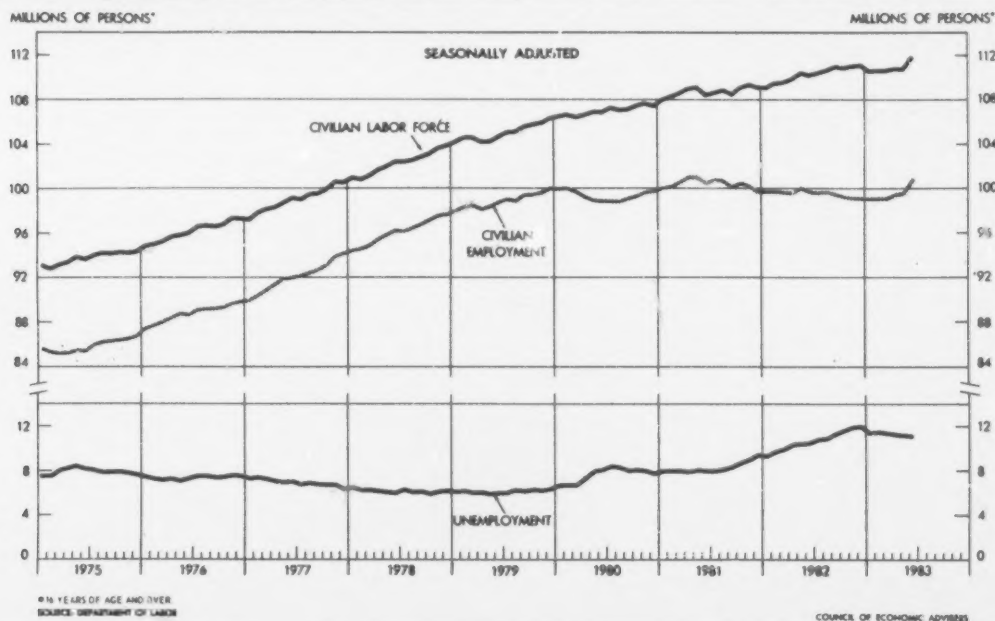
Prices Received and Paid by Farmers in Mississippi, July, 1983

COMMODITY	UNIT	Jul 15 1982	Jun 15 1983 <u>3/</u>	Jul 15 1983
-----Dollars-----				
PRICES RECEIVED				
Rice <u>4/</u>	Cwt.	8.25	7.88	7.78
Sweet potatoes	Cwt.	<u>7/</u>	<u>7/</u>	<u>7/</u>
Soybeans	Bu.	<u>7/</u>	6.13	6.22
Cotton	Lb.	.599 <u>4/</u>	.585	.562 <u>4/</u>
Cottonseed	Ton	<u>7/</u>	<u>7/</u>	<u>7/</u>
Hogs <u>4/</u>	Cwt.	57.80	43.90	43.50
Cows	Cwt.	39.50	39.70	36.80
Steers & Heifers	Cwt.	59.40	56.40	52.50
Beef Cattle	Cwt.	45.90	46.60	43.20
Calves	Cwt.	59.60	59.20	55.00
Milk Cows <u>1/</u>	Head	<u>6/</u>	<u>6/</u>	<u>6/</u>
All Milk, Whsl.	Cwt.	14.20	13.90	14.10
Fluid	Cwt.	14.30	14.00	—
Mfg.	Cwt.	12.10	12.60	—
Comm. Broilers <u>2/</u>	Lbs.	.295	.280	.310
Eggs	Doz.	.481	.509	.484
 PRICES PAID FOR FEED				
Hog Feed,				
14-18% Protein	Cwt.	11.50	11.00	12.00
Beef Cattle Concentrate,				
32-36% Protein	Cwt.	10.50	11.50	11.00
Cottonseed Meal,				
41% Protein	Cwt.	12.50	12.00	12.00
Soybean Meal,				
44% Protein	Cwt.	14.00	13.00	12.50
Dairy Feed,				
16% Protein	Ton	173.00	180.00	180.00
Chick Starter	Ton	190.00	187.00	186.00
Laying Feed	Ton	170.00	157.00	157.00
Broiler Grower	Ton	205.00	179.00	180.00

1/ Animals sold for dairy herd replacement only. 2/ Liveweight equivalent. 3/ Prices for rice, milk, soybeans, cotton and livestock relate to the average prices for all sales during the month. 4/ U.S. Price. 5/ Market (table) eggs, including eggs sold retail by producers. 6/ Prices published January, April, July and October. 7/ Insufficient sales.

STATUS OF THE LABOR FORCE

Seasonally adjusted civilian employment rose 1.2 million in June and unemployment fell 46,000.



[Thousands of persons 16 years of age and over, except as noted]

Period	Noninstitutional population including resident Armed Forces	Resident Armed Forces	Civilian employment	Unemployment	Total labor force including resident Armed Forces	Total employment including resident Armed Forces	Civilian labor force	Civilian employment				Unemployment		Labor force participation rate (percent)	
								Total	Agricultural	Nonagricultural		Total	15 weeks and over	Total	Civilian ^a
										Total	Part-time for economic reasons ¹				
1977.....	160,689	1,656	92,017	6,991	100,665	88,673	99,008	92,017	3,285	88,734	3,369	6,991	1,942	62.6	62.8
1978 ²	163,541	1,631	96,046	6,302	103,882	97,679	102,251	96,046	3,387	92,661	3,296	6,302	1,414	35.5	63.2
1979.....	166,460	1,587	96,834	6,157	106,559	100,421	104,962	98,824	3,547	95,477	3,373	6,157	1,241	64.0	63.7
1980.....	169,349	1,604	99,308	7,637	108,544	100,907	106,940	99,308	3,584	95,838	4,064	7,637	1,871	64.1	63.8
1981.....	171,775	1,645	100,397	8,273	111,615	102,042	108,670	100,397	3,568	97,030	4,499	8,273	2,285	64.2	63.9
1982.....	173,939	1,668	99,536	10,678	111,573	101,194	110,204	99,536	3,401	96,125	5,852	10,678	3,485	64.3	64.0
Unadjusted															
1982: June.....	173,854	1,664	100,688	10,896	111,811	101,345	110,147	99,681	3,371	96,310	5,561	10,466	3,517	64.3	64.0
July.....	174,038	1,674	101,490	11,036	112,090	101,262	110,416	99,588	3,445	96,143	5,577	10,829	3,569	64.4	64.1
Aug.....	174,300	1,699	101,177	10,710	112,303	101,373	110,614	99,688	3,429	96,354	5,820	10,981	3,837	64.5	64.1
Sept.....	174,360	1,670	99,851	10,606	112,558	101,318	110,856	99,548	3,383	96,180	6,495	11,315	3,806	64.5	64.2
Oct.....	174,549	1,666	99,835	10,942	112,430	100,844	110,752	99,176	3,413	96,763	6,408	11,576	4,167	64.4	64.1
Nov.....	174,718	1,680	99,379	11,476	112,702	100,796	111,042	99,136	3,466	95,670	6,411	11,906	4,534	64.5	64.2
Dec.....	174,864	1,665	96,849	11,838	112,794	100,758	111,129	99,083	3,411	95,683	6,425	12,036	4,733	64.5	64.2
1983: Jan.....	175,021	1,667	97,262	12,517	112,315	100,770	110,548	99,108	3,412	95,691	6,845	11,446	4,634	64.1	63.8
Feb.....	175,166	1,664	97,265	12,382	112,317	100,727	110,553	99,063	3,393	95,670	6,461	11,490	4,618	64.1	63.7
Mar.....	175,320	1,664	97,994	11,879	112,148	100,767	110,484	99,108	3,375	95,728	6,202	11,381	4,615	64.0	63.6
Apr.....	175,465	1,671	98,840	11,035	112,457	101,129	110,786	99,456	3,371	96,088	5,062	11,328	4,306	64.1	63.7
May.....	175,622	1,689	99,543	10,765	112,418	101,226	110,749	99,557	3,367	96,180	5,928	11,192	4,517	64.0	63.7
June.....	175,793	1,688	101,813	11,570	113,600	102,454	111,932	100,796	3,522	97,264	5,729	11,146	4,589	64.6	64.3

¹ Persons at work. Economic reasons include sick work, material shortages, inability to find full-time work, etc.

² Total labor force as percent of noninstitutional population (both including resident Armed Forces).

³ Civilian labor force as percent of civilian noninstitutional population.

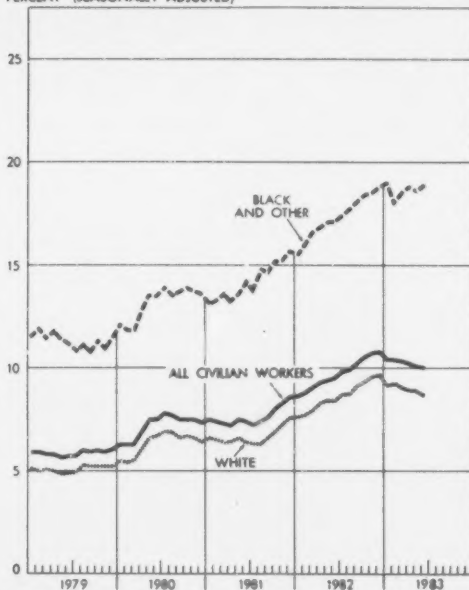
⁴ Data beginning 1978 not strictly comparable with earlier data because of revisions in the household survey, which added about 250,000 to labor force and to employment.

Source: Department of Labor, Bureau of Labor Statistics.

SELECTED UNEMPLOYMENT RATES

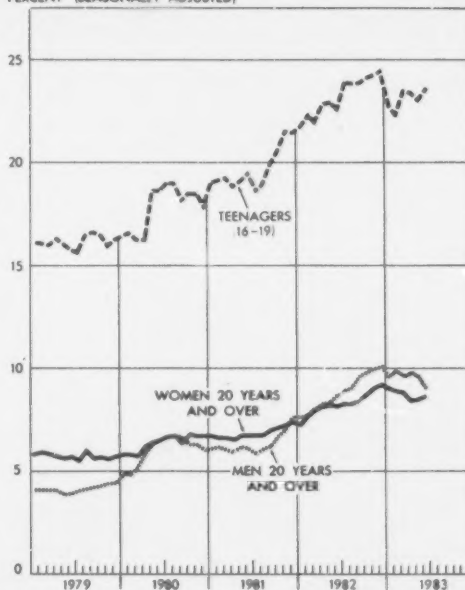
The seasonally adjusted overall unemployment rate, which includes resident Armed Forces in the labor force, declined in June to 9.8 percent. The unemployment rate for all civilian workers also declined, to 10.0 percent.

PERCENT* (SEASONALLY ADJUSTED)



*UNEMPLOYMENT AS PERCENT OF CIVILIAN LABOR FORCE IN GROUP SPECIFIED.
SOURCE: DEPARTMENT OF LABOR

PERCENT* (SEASONALLY ADJUSTED)



COUNCIL OF ECONOMIC ADVISERS

[Monthly data seasonally adjusted]

Period	Unemployment rate, all workers ¹	Unemployment rate (percent of civilian labor force in group)											Labor force time lost (percent) ²	
		All civilian workers	By sex and age			White	By race		By selected groups					
			Men 20 years and over	Women 20 years and over	Both sexes 16-19 years		Experienced wage and salary workers	Married men, spouse present	Women who maintain families	Full-time workers	Part-time workers			
												Total		Black
1977.....	6.9	7.1	5.2	7.0	17.8	6.2	13.1	14.0	6.6	3.6	9.4	6.6	9.9	7.6
1978.....	6.0	6.1	4.3	6.0	16.4	5.2	11.9	12.8	5.6	2.8	8.5	5.6	9.0	6.5
1979.....	5.8	5.8	4.2	5.7	16.1	5.1	11.3	12.3	5.5	2.8	8.3	5.3	8.8	6.3
1980.....	7.0	7.1	5.9	6.4	17.8	6.3	13.1	14.3	6.9	4.2	9.2	6.9	8.8	7.9
1981.....	7.5	7.6	6.3	6.8	19.6	6.7	14.2	15.6	7.3	4.3	10.4	7.3	9.4	8.5
1982.....	9.5	9.7	8.8	8.3	23.2	8.6	17.3	18.9	9.3	6.5	11.7	9.6	10.5	11.0
1982: June...	9.4	9.5	8.7	8.1	22.5	8.4	17.1	18.6	9.2	6.4	12.1	9.4	10.0	10.4
July	9.7	9.8	8.9	8.3	23.9	8.7	17.4	18.8	9.4	6.6	12.0	9.6	11.2	10.7
Aug.....	9.7	9.9	9.0	8.3	23.8	8.7	17.7	19.1	9.4	6.8	11.7	9.7	10.4	10.9
Sept....	10.1	10.2	9.6	8.4	23.8	9.1	18.1	19.8	9.8	7.2	12.4	10.2	10.6	11.7
Oct.....	10.3	10.5	9.8	8.7	24.1	9.3	18.4	20.1	10.1	7.5	11.3	10.5	10.3	12.0
Nov.....	10.6	10.7	10.0	9.0	24.2	9.6	18.5	20.2	10.5	7.6	12.5	10.6	11.3	12.4
Dec....	10.7	10.8	10.1	9.2	24.5	9.7	18.8	20.8	10.7	7.8	13.2	10.8	11.1	12.7
1983: Jan ...	10.2	10.4	9.6	9.0	22.7	9.1	19.0	20.8	10.1	7.1	13.2	10.3	10.6	11.7
Feb.....	10.2	10.4	9.9	8.9	22.2	9.2	18.0	19.7	10.1	7.2	13.0	10.4	10.1	12.0
Mar....	10.1	10.3	9.6	8.8	23.5	9.0	18.5	19.9	10.1	7.1	13.5	10.3	10.5	11.8
Apr.....	10.1	10.2	9.8	8.4	23.4	8.9	18.8	20.8	9.9	7.1	13.2	10.2	10.6	11.4
May.....	10.0	10.1	9.6	8.5	23.0	8.9	18.6	20.6	9.8	7.0	12.9	9.9	11.0	11.5
June....	9.8	10.0	9.0	8.6	23.6	8.6	18.9	20.6	9.4	6.6	12.8	9.7	12.1	10.8

¹ Unemployed as percent of total labor force including resident Armed Forces.

Source: Department of Labor, Bureau of Labor Statistics.

² Aggregate hours lost by the unemployed and persons on part time for economic reasons as percent of potentially available labor force hours.

Sales Indicated By Sales Tax Collections During June, 1983 By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,392	32,208	Lowndes	1,848	40,014
Alcorn	812	22,466	Madison	921	28,989
Amite	147	3,803	Marion	717	18,468
Attala	388	10,582	Marshall	376	8,475
Benton	55	1,261	Monroe	691	18,114
Bolivar	823	23,325	Montgomery	239	5,851
Calhoun	251	6,116	Neshoba	485	11,980
Carroll	97	2,502	Newton	348	8,638
Chickasaw	319	8,078	Noxubee	171	4,405
Choctaw	109	2,796	Oktibbeha	693	16,352
Claiborne	376	19,850	Panola	573	13,973
Clarke	214	5,442	Pearl River	677	15,820
Clay	334	9,286	Perry	667	38,555
Coahoma	834	22,076	Pike	1,111	25,428
Copiah	397	9,466	Pontotoc	210	5,066
Covington	435	9,951	Prentiss	382	10,314
DeSoto	792	20,591	Quitman	134	3,133
Forrest	2,523	67,241	Rankin	1,782	52,848
Franklin	96	2,510	Scott	481	11,829
George	257	5,769	Sharkey	137	3,030
Greene	91	1,945	Simpson	480	11,018
Grenada	572	16,096	Smith	181	4,205
Hancock	694	17,988	Stone	196	4,429
Harrison	4,679	118,425	Sunflower	615	31,287
Hinds	9,601	278,984	Tallahatchie	222	5,517
Holmes	317	7,200	Tate	319	7,722
Humphreys	241	5,917	Tippah	326	11,788
Iasequena	12	244	Tishomingo	433	12,518
Itawamba	294	8,767	Tunica	132	3,016
Jackson	2,154	46,431	Union	362	9,471
Jasper	255	5,882	Walthall	203	4,800
Jefferson	71	1,565	Warren	1,391	33,399
Jeff Davis	182	4,040	Washington	1,773	45,974
Jones	2,074	42,669	Wayne	387	8,799
Kemper	86	1,915	Webster	147	3,525
Lafayette	552	13,153	Wilkinson	171	4,193
Lamar	371	9,322	Winston	325	7,714
Lauderdale	2,656	68,496	Yalobusha	346	10,383
Lawrence	180	3,615	Yazoo	596	21,498
Leake	298	7,376			
Lee	2,341	78,177			
Leflore	1,145	29,021			
Lincoln	817	21,193	State Total	65,243	1,791,491

STATE ECONOMIC INDICATORS

Indicator	June 1983 ¹	May 1983 ¹	June 1982 ²	Per Cent One Month Ago ³	Change One Year Ago ³
EMPLOYMENT, EARNINGS AND HOURS⁴					
Total Employment	927,400	936,800	943,700	-1.0	1.7
Non-Ag Employment	790,300	790,200	791,600	0.1	-1.3
Mining	10,900	10,800	12,100	0.1	-1.2
Contract Construction	41,400	40,700	41,200	0.7	0.2
Manufacturing	202,800	200,300	207,600	2.3	-5.0
Transportation and Public Utilities	38,700	38,600	39,900	0.1	-1.2
Wholesale and Retail Trade	162,400	161,800	163,200	0.6	-0.8
Finance, Insurance and Real Estate	33,200	33,000	33,200	0.2	-0-
Service	124,400	124,200	120,000	0.2	4.4
Government	176,700	180,700	174,300	-4.0	2.4
Unemployment Rate (Per Cent Labor Force)	12.1	12.6	10.0	---	---
Average Weekly Earnings in Manufacturing (Dollars)	270.25	263.87	252.01	2.4	7.2
Average Hourly Earnings in Manufacturing (Dollars)	6.84	6.63	6.38	0.2	4.1
Average Weekly Hours in Manufacturing	40.7	39.8	39.5	2.3	3.0
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁵	2,418	2,593	2,453	-6.7	-1.4
Gasoline Delivered to Dealers (gals.) ⁶	115,567	106,912	116,019	8.1	-0.4
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁷	39,571	22,801	13,400	73.6	195.3
Construction Loans	7,437	11,485	2,000	-35.2	271.8
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁸	1,306,394	1,042,923	2,103,629	---	---
RETAIL SALES (000's)⁹					
	1,384,828	1,400,619	1,373,794	-1.1	0.8
Indicator	March 1983	February 1983	March 1982	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹⁰					
Total Cash Receipts from Farm Marketings	102,761	118,749	122,572	-13.5	-16.2
Cash Receipts from Marketing Livestock	78,127	58,400	76,168	33.8	2.6
Cash Receipts from Marketing Crops	24,634	60,349	46,409	-59.2	-46.9

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for February

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Little Rock-Total for number of condominiums and 1-4 family homes

⁸Mississippi Power Company, Mississippi Power and Light Company, Tennessee Valley Authority figure not available this month.

⁹Mississippi Tax Commission

¹⁰U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month June	PerCent Month Ago	Change Year Ago	Current Month June	PerCent Month Ago	Change Year Ago
Aberdeen	45,058	-3.9	5.9	65,200	117,000	51,851
Baldwyn	27,757	21.7	26.5	---	---	---
Batesville	58,800	-1.3	-2.0	290,000	239,000	356,250
Bay Springs	21,694	-11.7	-6.0	---	---	---
Bay St. Louis	61,381	46.1	60.1	---	---	---
Belmont	10,637	7.3	19.7	---	---	---
Belzoni	29,459	7.0	8.6	30,600	31,000	51,800
Biloxi	302,492	2.7	6.2	1,868,424	1,381,718	1,682,110
Brandon	42,572	-7.2	1.5	304,000	65,000	---
Brookhaven	122,541	-2.9	11.2	577,250	386,700	123,500
Brooksville	2,770	-2.3	6.4	---	---	---
Canton	65,151	3.0	7.9	---	---	---
Carthage	45,278	4.6	13.9	52,000	59,375	36,500
Charleston	17,643	12.2	3.7	---	---	---
Clarksdale	126,885	-2.1	14.5	251,610	106,900	146,800
Cleveland	102,116	-2.5	7.2	---	---	---
Collins	26,558	-25.2	-45.1	-0-	-0-	32,500
Columbia	105,771	-0.6	-6.3	---	---	---
Columbus	236,407	-4.9	3.6	318,806	626,272	230,647
Corinth	120,402	-5.0	6.1	157,294	91,700	257,400
Crystal Springs	28,866	32.0	-14.6	6,000	21,900	12,700
Drew	9,728	-12.2	11.1	---	---	---
Edwards	3,169	6.1	-6.3	---	---	---
Ellisville	15,403	11.8	-4.0	---	---	---
Eupora	16,474	0.7	-13.6	---	---	---
Fayette	9,759	-1.6	12.2	---	---	---
Forest	53,718	2.3	2.0	165,200	278,100	194,800
Greenville	249,631	-6.2	6.0	---	---	---
Greenwood	159,195	-3.1	6.3	447,378	384,500	704,000
Grenada	101,256	13.4	19.0	263,000	195,000	223,000
Gulfport	306,854	1.3	10.1	1,220,492	1,551,279	3,055,537
Hattiesburg	405,118	3.1	14.5	2,606,953	5,514,780	2,789,080
Hernando	25,166	-19.9	11.8	18,719	11,000	34,000
Hollandale	13,327	-4.6	7.9	---	---	---
Holly Springs	41,882	-4.4	1.3	66,000	32,500	84,000
Houston	34,236	1.7	12.7	78,000	272,000	60,700
Indianola	80,202	21.4	33.7	---	---	---
Iuka	27,093	6.1	2.6	---	---	---
Jackson	1,584,049	1.8	10.2	6,572,945	5,941,125	6,959,409
Kosciusko	56,838	4.0	5.9	52,200	41,000	112,000
Laurel	286,292	-7.9	-11.7	382,888	653,996	398,035
Leland	21,223	-4.7	6.7	---	---	---
Lexington	19,678	-16.4	-1.3	---	---	---
Louisville	49,242	-2.7	-9.4	72,300	334,464	114,643
Lucedale	38,361	1.5	-13.2	-0-	34,000	600,700
Lumberton	9,521	14.7	15.5	---	---	---
Macon	16,718	-4.2	-0.5	---	---	---
Magee	48,855	5.7	-5.9	---	---	---
Magoncila	10,423	8.5	16.6	62,000	75,000	192,000
Marks	15,319	6.2	-4.3	---	---	---
McComb	136,827	-2.9	5.7	162,600	442,575	97,575
Meadville	5,632	-7.9	17.7	---	---	---
Mendenhall	20,829	-2.3	-0.4	14,040	37,000	-0-
Meridian	381,163	-3.9	7.8	2,800,721	1,040,143	1,062,221
Monticello	20,782	2.4	-5.6	-0-	187,000	32,000
Morton	19,113	-1.7	4.2	---	---	---
Moss Point	50,918	-1.5	7.6	162,556	142,923	248,860
Natchez	221,402	-1.5	-3.7	629,940	391,200	385,964
New Albany	58,261	-4.4	9.0	348,823	161,800	111,641
Newton	25,801	8.0	-0.6	30,000	116,000	409,000
Ocean Springs	80,209	3.6	6.0	---	---	---
Okolona	14,772	-2.3	-0-	---	46,000	1,041,641
Oxford	85,971	-15.0	9.0	670,050	670,009	58,727
Pascagoula	186,852	-10.9	-9.4	---	---	---
Pass Christian	14,184	-12.0	0.6	---	---	---
Philadelphia	66,360	-74.7	25.9	---	---	---

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month June	PerCent Month Ago	Change Year Ago	Current Month June	Month Ago	Year Ago
Picayune	92,866	2.4	10.2	---	---	---
Pontotoc	92,866	2.4	10.2	---	---	---
Poplarville	17,065	-4.6	12.4	32,500	40,000	-0-
Port Gibson	18,936	4.2	-15.5	---	---	---
Prentiss	21,641	-10.5	-4.9	24,000	214,300	100,500
Quitman	24,260	0.6	14.7	---	---	---
Raymond	4,006	-0.9	-20.1	---	---	---
Richton	10,242	4.7	14.7	60,000	35,000	-0-
Rosedale	7,754	10.5	14.0	---	---	---
Ruleville	12,221	6.6	-2.5	---	---	---
Sardis	21,117	17.0	16.1	10,000	4,000	12,000
Senatobia	47,603	-1.6	3.2	1,800	125,000	16,000
Shelby	10,411	17.6	10.1	---	---	---
Starkville	99,307	-13.7	3.3	781,716	760,400	75,765
Summit	11,445	12.4	-9.7	---	---	---
Taylorville	12,391	-14.7	-10.7	---	---	---
Tchula	4,518	-1.2	0.7	---	---	---
Tunica	16,391	-3.9	4.8	---	---	---
Tupelo	364,809	3.1	16.3	1,618,451	1,970,870	471,717
Union	16,801	11.3	17.8	---	---	---
Utica	9,564	-18.4	36.4	---	---	---
Vicksburg	197,397	-5.7	-1.1	1,942,175	777,963	160,889
Walnut Grove	1,579	-2.5	-10.8	---	---	---
Water Valley	24,091	6.3	12.8	---	---	---
Waynesboro	54,155	-12.0	-27.4	15,000	18,000	10,000
West Point	53,853	-8.7	8.6	610,000	247,450	401,436
Wiggins	26,745	-7.2	-1.7	---	---	---
Winona	33,771	1.6	10.6	---	---	---
Yazoo City	65,382	1.9	10.8	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	June 1983	May 1983	June 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	160,800	158,800	162,400	1.4	-1.0
Unemployed Persons	14,800	12,400	12,400	19.4	19.4
Per Cent of Labor Force	9.2	7.8	7.7	---	---
Employed Persons	146,000	146,200	150,000	-0.1	-2.7
Non-Ag Wage & Salaries	124,800	125,100	128,800	-0.2	-3.0
Manufacturing	19,400	19,100	19,600	1.6	-1.0
CITY SALES TAX COLLECTIONS	1,643,362	1,621,139	1,406,678	1.6	9.8
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	71,620	70,410	70,840	1.7	1.1
Unemployed Persons	10,140	8,830	6,180	14.8	64.1
Per Cent of Labor Force	14.2	12.5	8.7	---	---
Employed Persons	61,480	61,580	64,660	-0.2	-4.9
Non-Ag Wage & Salaries	51,700	51,880	54,560	-0.3	-5.2
Manufacturing	9,320	9,160	9,620	1.7	-3.1
CITY SALES TAX COLLECTIONS	625,530	615,664	629,530	1.6	8.0

Property Values as Reported by Cities at 9-30-82

SOURCE: Department of Banking and Consumer Finance, Office of the Commissioner, State of Mississippi.

City	Per capita Value	Estimated full Value	Assessed Value	City	Per capita Value	Estimated full Value	Assessed Value
Aberdeen	\$8,877	63,775,300	19,132,600	Magnolia	7,982	19,644,300	4,855,700
Ackerman	11,314	17,729,800	4,149,600	McComb	11,292	139,246,800	39,700,900
Amory	9,835	71,866,300	15,706,100	Mendenhall	12,787	32,390,500	7,749,700
Anguilla	4,653	4,420,600	1,237,800	Meridian	13,096	609,987,800	176,062,300
Ashland	11,378	6,053,200	1,319,700	Monticello	11,941	21,900,500	4,757,800
Baldwyn	6,504	22,289,900	5,572,500	Moorhead	3,799	8,957,600	3,353,200
Batesville	22,940	107,636,300	12,515,300	Morton	9,591	31,678,900	8,870,100
Bay Springs	13,207	24,881,300	4,976,300	Moss Point	11,047	209,874,700	56,820,900
Belzoni	6,795	20,262,000	9,392,200	Mount Olive	11,638	11,556,800	903,800
Biloxi	9,280	456,598,700	124,875,000	Natchez	9,362	206,101,200	66,314,000
Booneville	7,098	44,000,000	14,000,000	Nettleton	3,611	6,900,000	2,200,000
Brandon	23,325	224,533,700	28,385,900	New Albany	7,598	53,735,200	13,433,800
Brookhaven	8,761	94,619,700	26,385,900	Newton	10,872	40,312,100	9,446,400
Bruce	14,052	31,026,000	4,653,900	Ocean Springs	9,760	1414,561,700	43,601,000
Calhoun City	15,510	31,531,700	5,070,500	Okolona	6,086	20,746,200	6,846,300
Canton	7,297	81,113,700	17,968,200	Olive Branch	22,696	46,913,000	14,073,900
Centerville	5,967	11,002,700	3,850,900	Oxford	10,503	103,794,100	34,607,600
Clarksdale	6,912	146,104,100	60,480,900	Pascagoula	12,724	373,050,300	119,755,900
Cleveland	14,180	205,951,600	41,586,400	Pass Christian	10,259	51,438,800	25,622,800
Clinton	10,874	159,415,000	47,824,500	Pearl	12,376	257,151,900	77,145,600
Coldwater	5,703	8,582,500	2,145,600	Polahatchie	8,999	13,003,000	3,312,000
Collins	10,419	22,202,400	4,440,500	Petal	11,516	97,606,300	19,635,400
Columbia	18,363	141,997,600	17,535,100	Philadelphia	7,642	49,171,300	14,978,800
Columbus	8,218	225,042,400	90,016,900	Picayune	7,246	75,076,000	30,030,400
Corinth	14,656	202,820,500	26,136,500	Pontotoc	13,709	64,747,700	11,096,800
Crystal Springs	8,005	39,240,800	8,629,500	Poplarville	11,412	29,237,800	5,847,600
Decatur	6,010	6,900,000	1,500,000	Prentiss	17,984	26,347,200	3,179,400
Drew	7,230	18,276,700	6,396,900	Purvis	13,290	29,981,600	5,153,200
Durant	5,991	17,306,300	4,510,600	Raymond	4,715	9,275,300	2,782,600
Eupora	13,682	28,020,600	6,017,800	Richland	16,890	66,682,800	18,671,200
Flowood	103,963	96,037,300	13,959,600	Richton	7,326	8,828,100	2,207,000
Fulton	13,701	44,364,000	9,234,300	Ridge land	28,121	153,570,000	38,127,600
Greenville	12,846	521,727,600	119,820,600	Ripley	14,287	61,018,900	6,102,000
Greenwood	8,901	179,044,000	65,831,800	Rolling Fork	19,845	51,396,000	6,060,100
Grenada	9,433	119,236,600	17,847,000	Rosedale	7,708	21,528,300	5,382,100
Gulfport	11,316	449,044,300	120,906,000	Ruleville	8,972	29,893,600	11,736,700
Hattiesburg	14,133	577,053,800	134,417,200	Sardis	9,330	21,254,300	6,376,300
Hazlehurst	5,712	25,346,100	8,364,200	Senatobia	9,633	48,290,800	10,147,600
Hernando	12,238	36,333,300	10,900,000	Starkville	8,815	133,713,000	40,113,900
Hollandale	5,640	24,455,000	9,782,000	Summit	7,390	12,954,600	3,102,800
Holly Springs	10,304	75,066,300	13,927,000	Taylorsville	6,895	9,563,000	3,155,800
Horn Lake	10,891	46,250,000	10,100,000	Tchula	5,458	10,538,900	2,107,800
Houston	10,900	40,841,500	10,210,400	Tunica	15,153	20,623,900	6,187,200
Indianola	9,246	76,010,700	19,002,700	Tylertown	12,854	25,396,800	4,012,500
Iuka	12,018	34,197,200	4,274,800	Verona	6,785	16,942,100	4,235,500
Jackson	14,682	2,978,974,000	1,137,497,800	Vicksburg	8,363	213,211,100	91,840,100
Kosciusko	11,275	83,602,000	20,211,000	Walnut Grove	8,340	3,661,300	821,700
Laurel	10,847	233,128,400	73,809,800	Waveland	11,957	50,051,800	7,507,800
Leland	8,231	54,873,200	16,462,000	Waynesboro	9,874	52,816,500	6,080,200
Long Beach	17,720	141,176,400	57,277,800	West Point	14,781	130,238,400	20,922,900
Louisville	8,610	63,054,300	15,316,700	Wiggins	4,384	14,051,300	4,496,400
Lucedale	17,417	42,305,700	5,039,000	Winona	13,282	82,042,000	12,976,500
Macon	10,105	24,212,400	6,414,100	Woodville	7,290	11,021,800	2,204,400
Magee	14,823	51,837,600	6,220,500				



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Options on Market Indexes: Another Tool for Risk Reduction

by Dr. P.R. Chandy
and
Dr. Sharon Garrison

The CBOE 100 options index, (recently renamed Standard & Poor's 100) launched in March, 1983, offers investors a new opportunity to hedge certain investment risks. The index is a market-weighted index composed of 100 stocks whose options are currently traded on the CBOE. To take advantage of possible opportunities, potential investors should explore the characteristics of an index, how options are traded, and how the options index is put together. Once the basics of the process of investing in the options index are known, then strategies for hedging risk can be developed.

What is an Index?

An index is a single indicator of the market values of many different investments; the index may be representative of an entire market or a segment or specialized area of the market. Usually, the index is related to a base period such as the period when the index was established.

What is an Option?

An option gives the purchaser the right to buy or sell a particular security at a specified price during some limited time period. A **call** option grants the right to buy a security at a given price, and a **put** option grants the right to sell a security at a given price.

An Option Quotation

It is important to understand how to read and interpret an option quotation.

			Sep.	Dec.	Mar.	Sep.	Dec.	Mar.
Sears	40 3/4	35	6 1/2	8	9	1/2	3/4	1 1/4
Strike			Calls			Puts		
Firm	NY	Close Price						

The above quotation shows that Sears common stock which had a closing price of \$40 3/4 on the New York Stock Exchange, has several call and put options available with a striking price of \$35. \$35 represents the price at which 100 shares of Sears common stock can be bought (call) or sold (put). There are three contract expiration months, namely September, December and March. The premium to be paid is also shown in the quotation. For example, an investor can buy a call with a September expiration date for a premium of \$6.50 per share (which works out to \$650 for each contract). One can buy a put with a September expiration date for \$0.50 a share (or \$50 per contract). The option premium at any moment is a reflection of existing supply and demand, a consensus judgement of the option's current value. An investor who buys options has to pay commissions based upon the option price. There is a minimum commission of \$25 each way (buy or sell), and option buyers are limited to owning no more than 1,000 calls (100,000 shares) on a single stock to prevent the use of call options to gain control of a firm.

How is the CBOE 100 Index Put Together?

The CBOE 100 index is a market index of 100 stocks on which options are currently listed on the CBOE. Table I contains a list of the stocks currently included in the index. The index is a "value-weighted" index, which assigns greater weight to stocks with greater numbers of share outstanding. The index is computed by:

1. Multiplying the market value of each of the 100 stocks by number of outstanding shares,
2. Adding the result for each stock together to determine the aggregate market value of 100 stocks included in the index, then
3. Dividing the aggregate market value by current base value and multiplying by 100.

The initial base value was set equal to the aggregate market value of the 100 stocks on January 1, 1976, the date the index was established. Thus, if the index has a value of 165, it means that the value of CBOE 100 has gone up by 65% since January 2, 1976. Each contract represents \$100 times the value of the index. When the index is at 165, the dollar value of the index will be \$16,500.

The CBOE 100 index is highly representative of the stock market as a whole and comprises most blue chip stocks such as IBM, GM, GE, AT&T, Exxon, etc. An analysis of daily returns from January 1976 to December 1982 provided correlation coefficients (a measure of the degree of relationship) of 0.97 between the CBOE 100 and S&P 500. It is obvious that CBOE 100 will track the stock market quite closely. No deliverable security underlies the option contract. Hence, all transactions are settled in cash.

For example, when exercised, the exerciser of a call/put receives a cash amount equal to the difference between the closing dollar value of the index on the exercise date and the aggregate exercise price of the option. Index options expire in the months of March, June, September and December. The actual date of expiration is the Saturday following the third Friday of the expiration month.

Risk

Anytime an investment is undertaken, risk enters the picture. Investors, generally, wish to minimize the risk associated with investing. Basically, there are two types of investment risk: market risk, industry and company risk. Market risk involves factors that influence the market generally - such as interest rates and inflation.

TABLE I
Composition of CBOE 100
Stock Index

Aluminum Co. of America	Colgate-Palmolive	Homestake Mining	Ownes-Illinois
American Electric Power	Commonwealth Edison	Honeywell	PepsiCo
American Express	Computer Sciences	Hughes Tool	Polaroid
American Hospital Supply	Control Data	Humana	Ralston Purina
American Telephone & Telegraph	Datapoint	IBM	Raytheon
AMP	Delta Airlines	International Flavors & Fragrances	RCA
Atlantic Richfield	Digital Equipment	International Minerals & Chemicals	Revlon
Avon Products	Disney Productions	International Paper	R.J. Reynold
BankAmerica	Dow Chemical	International Telephone & Telegraph	Rockwell International
Baxter Travenol Labs	duPont	Johnson & Johnson	Safeway Stores
Bethlehem Steel	Eastmen Kodak	K-Mart	Schlumberger
Black & Decker	Esmark	Litton Industries	Sears, Roebuck
Boeing	Exxon	McDonald's	S'yline
Boise Cascade	Fluor	Merck	Sperry
Bristol-Meyers	Ford Motor	Merrill Lynch	Squibb
Brunswick	General Dynamics	Minnesota Mining & Mfg.	Standard Oil (Indiana)
Burlington Northern	General Electric	Mobil	Storage Technology
Burroughs	General Foods	Monsanto	Superior Oil
Champion International	General Motors	National Semiconductor	Tandy
CIGNA	Great Western Financial	NCR	Tektronix
Citicorp	Gulf + Western	Norfolk Southern	Teledyne
Coca Cola	Halliburton	Northern Telecom Ltd.	Texas Instruments
	Harris	Northwest Airlines	UAL
	Hewlett-Packard	Northwest Industries	Upjohn
	Holiday Inns		United Technologies
			Warner Communications
			Weyerhaeuser
			Williams
			Xerox

Industry risk is that portion of the risk which is common to firms within a specific industry. Examples will be factors such as foreign competition, regulatory environment and raw material shortages. Company risk would be those factors that influence a particular firm, such as management, labor strike, lawsuits, etc. Company risk and industry risk can be eliminated or reduced through portfolio diversification, but market risk cannot be eliminated through diversification. Hence, market factors are the primary determinants of changes in the value of a diversified portfolio.

Financial research has shown that about 10 to 15 different securities of firms in **different lines of business** would eliminate most of the company/industry risk.

How can the CBOE 100 Index be used to Hedge Risk? Strategies:

One can play the options game in many ways. You can buy "calls" if you believe that the market will continue to go up, or "puts" if you expect it to plunge.

a. Anticipating Market Moves

An investor can take a position in the market, based on his expectations about the future. If an investor expects a rise in the market, he could buy call options. On September 1, 1982, the index closed at 119.09. An investor who bought a September 120 call option trading at 1 7/8 premium would have paid a premium of about \$187. This is because, each point represents \$100. Hence 1 7/8 is about \$187. On September 13, the CBOE index was up by 4.45 points, closing at 123.54. If the investor closes out his position, the following effect would take place.

Sept. 13 Index Value	= 123.54 x \$100 = 12,354
Purchase Price	= 120 x \$100 = 12,000
Gross Profit	\$ <u>354</u>
Commission	(187)
Net Profit	\$ <u>167</u>

If the market had moved unfavorably, the maximum loss to the investor would have been the amount of premium paid, i.e. \$187.

b. Reducing Market Risk

Suppose an investor feels capable of picking stocks individually, but is unsure of the market timing and direction. If a market decline is expected, the investor can take advantage of the anticipated difference between individual stock or portfolio performance and market performance.

Assume that an investor buys 100 share of ABC stock at \$140 a share. He buys one December 140 index put option at a time when the index was at 140. The premium paid by the investor is \$300. By the time the put expires, let us assume that his stock had gone up 10% to \$154 a share, while the index had increased only 5% to 147. The investor allows the option to expire, resulting in a loss of \$300 on the put. His situation is as follows:

Increase in stock price	\$1400 (14 x 100)
Less put premium	(300)
Net Profit	<u>\$1100</u>

If the index had gone down in value, the investor could gain additional profit by selling or exercising the put. If the index had increased in value and the stock price declined, the investor's maximum loss would be the \$300 premium plus the dollar loss from the decline in stock value.

c. Market Fluctuations and Tax Consequences

Suppose you bought nine months back stock worth \$30,000 and they are now worth \$50,000. You intend to hold on to the investment for 3 more months, so your profits will qualify for the maximum 20% tax rate on long term capital gains. Currently, option contracts on this stock have a value of 170. You could buy 3 puts with a striking price of 170 with a maturity 3 months from now. The 3 contracts would have a value of \$51,000 (3 x 170 x 100.) The premium would be about \$1500 (3 x 1500 premium per contract). The commissions are about \$50. Your investment totals \$1550 (1500 + 50).

If the market rises or is unchanged, you would let the options expire. You would lose \$1550, all of which can be offset against other capital gains you might have for tax purposes. If the market drops say by 20%, you can make a profit on your options contract as follows.

Profit on the option contract: 170 (0.2) x 3 contracts x 100 = 10,200

This occurs because you can sell each contract at a profit of 20%. This profit will offset the loss you had on your original stock portfolio. The loss would be \$10,000 (50,000 x 0.20). The gain on the puts will be taxed at the regular income rates, but your original stock portfolio would qualify for long term capital gain rates which could be considerably less for someone in high tax brackets. By buying more puts, it is obvious that you can fare even better in a declining market.

Determining the number of index options needed to hedge the market risk of a particular stock position requires a lot of judgement. If all stocks were equally sensitive to factors affecting the market, and could be expected to respond to a given market influence with the same percentage increase or decrease of an underlying index, the determination would be simple. But, such is not the case always. Historically, different stocks have exhibited different degrees of sensitivity to factors affecting the market as a whole. A 5% increase in an index might be accompanied by a 10% increase in the value of say, stock A, but only a 3% increase in the value of say stock B.

These are just a few simple strategies available to investor, businessmen and others.

Conclusion

Options on the CBOE 100 (or S&P 100 as it is called now) allow investors to hedge a specific risk component—the market risk involved in stock ownership. market risk is present in all securities, due to factors such as inflation and interest rate changes. Investors have no control over such risk factors.

Investing in options on a market index is not foolproof. The strategy to following in index options should be keyed to the investor's goals and risk comfort levels. Whether it is conservation of capital or maximization of profits, the investor needs to be aware of the risk and rewards of each strategy.

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NEW AND EXPANDED INDUSTRY

Town	Firm	No. of Employees
Product		
NEW		
Booneville	Park Place, Inc.	
	Living Room furniture	50
Bruce	United Chair	
	Office chairs	15
Grenada	Georgia-Pacific	
	Wood products	130
	Louisiana-Pacific	
	Wood products	130
Sunflower	Grain Fed	
	Catfish processing	
EXPANDED		
Canton	Canton Apparel	
	Kids' Casual Pants	125
Holly Springs	Sunbeam Appliance Co.	
	Small household appliances	100
Nettleton	Peopeloungers	
	Reclining furniture	100
Tupelo	Krueger Metal Products	
	Computer Databoard	25
Verona	Action Industries	
	Upholstered furniture	150

Total Personal Income, by State and Regions, 1982 and 1983

(Millions of dollars, seasonally adjusted at annual rates)

	1982				1983	PERCENT CHANGE	
	I	II	III	IV	I	1982:1- 1983:1	1982:1- 1983:1
UNITED STATES	2,499,775	2,541,891	2,581,838	2,616,112	2,640,496	5.6	0.9
NEW ENGLAND	143,749	146,322	149,099	151,439	152,636	6.2	.8
CONNECTICUT	42,173	42,742	43,620	44,096	44,538	5.6	1.0
MAINE	10,007	10,111	10,313	10,520	10,620	6.1	.9
MASSACHUSETTS	66,927	68,354	69,571	70,801	71,068	6.2	.4
NEW HAMPSHIRE	9,875	10,101	10,301	10,458	10,561	6.0	1.9
RHODE ISLAND	10,050	10,209	10,354	10,523	10,556	6.0	1.3
VERMONT	4,717	4,805	4,939	5,040	5,093	8.0	1.0
MIDWEST	501,573	508,824	516,721	523,319	527,185	5.1	.7
DELAWARE	6,924	7,059	7,207	7,226	7,314	5.0	1.2
DISTRICT OF COLUMBIA	8,809	8,948	9,176	9,297	9,373	6.4	.8
MARYLAND	50,561	51,512	52,527	53,441	53,679	6.2	.4
NEW JERSEY	94,566	96,223	97,727	99,015	100,131	5.9	1.1
NEW YORK	213,445	215,734	219,474	222,130	224,431	5.1	1.0
PENNSYLVANIA	127,267	129,340	130,610	132,110	132,257	3.9	.1
GREAT LAKES	452,390	459,855	465,796	468,311	473,635	4.7	1.1
ILLINOIS	134,183	138,547	140,635	141,560	142,988	5.0	1.0
INDIANA	54,273	55,108	55,372	55,960	56,607	3.3	1.2
MICHIGAN	98,790	100,987	101,504	101,393	103,878	5.2	2.5
OHIO	113,543	115,867	117,811	118,255	119,195	5.0	.8
WISCONSIN	49,102	49,567	50,473	51,146	50,966	3.6	-.4
PLAINS	180,954	183,135	185,965	188,873	189,989	5.0	.8
IOWA	29,782	30,458	30,885	31,257	31,324	5.2	.2
KANSAS	27,311	27,262	27,643	28,038	28,170	3.1	.5
MINNESOTA	45,135	45,331	45,851	46,891	46,825	3.7	-.1
MISSOURI	49,160	50,093	50,977	51,267	52,088	6.0	1.6
NEBRASKA	16,267	16,508	16,739	17,014	17,089	5.1	.4
NORTH DAKOTA	6,969	7,013	7,288	7,530	7,698	10.4	2.2
SOUTH DAKOTA	6,329	6,469	6,582	6,876	6,796	7.4	-1.2
SOUTHEAST	501,705	512,470	520,667	531,189	536,966	7.0	1.1
ALABAMA	33,008	33,756	33,895	34,675	35,126	6.4	1.3
ARKANSAS	18,552	19,021	19,214	19,584	19,991	7.8	2.1
FLORIDA	108,938	111,911	114,795	117,448	118,583	8.9	1.0
GEORGIA	51,990	53,301	54,041	55,259	55,999	7.7	1.3
KENTUCKY	31,919	31,996	32,672	33,388	33,466	4.8	.2
LOUISIANA	43,093	43,779	44,400	44,668	45,440	5.4	1.7
MISSISSIPPI	19,304	19,842	19,908	20,450	20,555	6.5	.5
NORTH CAROLINA	52,572	54,065	54,621	56,168	56,768	8.0	1.1
SOUTH CAROLINA	26,387	26,819	27,313	27,975	28,398	7.6	1.5
TENNESSEE	40,119	40,932	41,545	42,028	42,445	5.8	1.0
VIRGINIA	58,657	59,962	60,988	62,079	62,707	6.9	1.0
WEST VIRGINIA	17,167	17,085	17,276	17,467	17,467	1.7	0
SOUTHWEST	243,978	247,779	251,070	253,578	255,355	4.7	.7
ARIZONA	28,428	28,956	29,466	29,889	30,293	6.6	1.4
NEW MEXICO	11,923	12,119	12,303	12,573	12,646	6.1	.6
OKLAHOMA	33,649	34,082	34,502	34,700	34,697	3.1	0
TEXAS	169,979	172,622	174,819	176,416	177,719	4.6	.7
ROCKY MOUNTAIN	70,750	71,667	72,392	73,877	74,507	5.3	.9
COLORADO	35,245	35,546	35,992	36,628	37,029	5.1	1.1
IDAHO	8,657	8,830	8,982	9,282	9,238	6.7	-.5
MONTANA	7,711	7,836	7,758	7,935	8,138	5.5	2.6
UTAH	13,185	13,461	13,684	13,935	14,044	6.5	.8
WYOMING	5,952	5,994	5,976	6,099	6,058	1.8	-.7
FAR WEST	387,303	394,111	401,446	406,570	411,047	6.1	1.1
CALIFORNIA	301,802	307,929	313,534	317,125	320,469	6.2	1.6
NEVADA	10,188	10,260	10,387	10,555	10,727	5.3	1.9
OREGON	26,986	27,332	27,697	28,075	28,418	5.3	1.2
WASHINGTON	48,326	48,589	49,828	50,815	51,432	6.4	1.2
ALASKA	6,137	6,260	6,976	7,246	7,230	17.8	-.2
HAWAII	11,235	11,468	11,707	11,708	11,967	6.5	2.2

NOTE: -- DETAIL MAY NOT ADD TO TOTALS BECAUSE OF ROUNDING.
PERCENTAGES ARE BASED ON THE SEASONALLY ADJUSTED DATA.

SOURCE: U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS.

General Fund Collections With July 1, 1982-

	July 1983	July 1982
Sales Tax	\$ 40,579,607 (1)	\$ 42,702,773
Use & Wholesale Compensating Tax	8,602,531 (2)	10,347,890
Individual Income Tax	21,368,704	16,958,807
Corporate Tax	2,531,913	3,334,336
Tobacco Tax	2,342,197	2,622,520
ABC Division	2,921,061	2,445,457
Beer & Wine Tax	2,055,902	1,819,377
Oil Severance Tax	4,311,786	4,277,507
Estate Tax	613,583	944,773
Statewide Privilege Tax	1,912	22,425
Installment Loan Tax	358,827	376,434
Gas Severance Tax	3,668,302	4,382,677
Insurance Premium Tax	1,500,000	---
Auto Tag Fees	328,863	70,334
Auto Privilege Tax	245,245	179,291
Title Fees	108,742	103,086
Petroleum Tax	393,165	405,446
Admission Tax	16,862	20,205
Timber Severance Tax	43,569	40,425
Slot Vending Tax	2,799	7,904
Pulpwood Scaling Fees	9,761	---
Fire Marshal Fees	759	---
Freeport Warehouse Tax	---	---
Aircraft Registration Fees	168	---
Int. on Direct Investments	49,862	---
Tax Commission Transfers to Gen. Fund	\$ 92,056,121	\$ 91,061,667
Tax Comm. Special Fund Transfers	50,167,790	48,036,168
Tax Commission Total Transfers	\$142,223,911	\$139,097,835

- (1) 2% Discount allowed and not included - \$ 575,566
 (2) 2% Discount allowed and not included - \$ 78,467

Tax Commission Cash Balance July 31, 1983 - \$ 19,941,098
 Tax Commission Cash Balance July 31, 1982 - \$ 13,074,654

Comparing July 1, 1983-July 31, 1983 July 31, 1982

July 31, 1983

Exhibit IV

7/1/83 to 7/31/83	7/1/82 to 7/31/82	Increase or Decrease over Prior Year	
		Amount	Percent
\$ 40,579,607 (1)	\$ 42,702,773	\$ (2,123,166)	(4.97)
8,602,531 (2)	10,347,890	(1,745,359)	(16.87)
21,368,704	16,958,807	4,409,897	26.00
2,531,913	3,334,336	(802,423)	(24.07)
2,342,197	2,622,520	(280,323)	(10.69)
2,921,061	2,445,457	475,604	19.45
2,055,902	1,819,377	236,525	13.00
4,311,786	4,277,507	34,279	0.80
613,583	944,773	(331,190)	(35.05)
1,912	22,425	(20,513)	(91.47)
358,827	376,434	(17,607)	(4.68)
3,668,302	4,382,677	(714,375)	(16.30)
1,500,000	---	1,500,000	---
328,863	70,334	258,529	---
245,245	179,291	65,954	36.79
108,742	103,086	5,656	5.49
393,165	405,446	(12,281)	(3.03)
16,862	20,205	(3,343)	(16.55)
43,569	40,425	3,144	7.78
2,799	7,904	(5,105)	(64.59)
9,761	---	9,761	---
759	---	759	---
---	---	---	---
168	-0-	168	---
49,862	-0-	49,862	---
\$ 92,056,121	\$ 91,061,667	\$ 994,454	1.09
50,167,790	48,036,168	2,131,622	4.44
\$ 142,223,911	\$ 139,097,835	\$ 3,126,076	2.25

(1) 2% Discount allowed and not included - \$ 575,566

(2) 2% Discount allowed and not included - \$ 78,467

SOURCE: Mississippi State Tax Commission

Savings Flows, June 1983, FHLB District Nine,

State	Number of Institutions Reporting	CURRENT MONTH		
		Year	New Savings Received	Withdrawals
Arkansas	41	1983	381,200	373,400
	55	1982	242,520	250,542
	75	1981	187,700	230,548
	76	1980	144,248	143,640
	75	1979	128,575	125,760
Louisiana	113	1983	759,200	690,400
	101	1982	400,186	403,782
	133	1981	361,141	403,630
	127	1980	245,497	231,242
	122	1979	215,870	217,082
Mississippi	49	1983	177,500	178,300
	53	1982	139,116	131,315
	59	1981	112,275	134,253
	59	1980	83,352	89,290
	60	1979	75,475	74,075
New Mexico	27	1983	297,500	272,100
	25	1982	152,156	163,162
	34	1981	150,106	171,742
	34	1980	111,652	94,342
	33	1979	108,442	106,651
Texas	278	1983	4,924,200	4,417,900
	248	1982	2,376,721	2,486,726
	316	1981	1,797,245	1,994,486
	316	1980	1,255,303	1,185,120
	313	1979	1,057,894	1,007,707
District	508	1983	6,539,600	5,932,100
Totals	482	1982	3,310,700	3,435,527
	617	1981	2,608,467	2,934,659
	612	1980	1,840,054	1,743,634
	603	1979	1,586,256	1,531,276

*Figures may not total due to rounding. Current month values are preliminary.

All FSLIC Insured Institutions,

(Amounts in Thousands of Dollars)*

CURRENT MONTH			YEAR-TO-DATE	
Net New Savings (Excl. Int. & Div.)	Net Savings Flows (Incl. Int. & Div.) Amount % Change**		Net New Savings	Net Savings Flow
7,800	65,400	1.22	851,124	1,031,611
(8,022)	39,566	0.97	(56,908)	77,798
(42,848)	(4,425)	(0.11)	(102,926)	1,428
608	33,328	0.88	24,778	104,304
2,816	36,817	1.05	194,967	262,415
68,800	160,600	1.66	808,349	1,119,400
(3,596)	89,187	1.11	85,995	365,472
(42,489)	34,139	0.45	10,331	233,833
14,255	77,997	1.14	152,721	314,589
(1,212)	67,973	1.08	132,453	274,386
(800)	26,100	0.93	50,169	141,869
7,801	35,110	1.34	(7,090)	83,282
(21,978)	4,634	0.18	(34,282)	42,777
(5,938)	16,396	0.68	45,996	105,873
1,400	23,462	1.06	35,392	83,037
25,400	58,400	2.18	141,113	239,704
(11,005)	18,745	0.79	35,232	118,239
(21,636)	2,890	0.13	(31,659)	36,993
17,311	38,081	1.89	57,486	112,480
1,791	22,578	1.25	52,044	97,297
506,300	910,700	2.29	5,152,721	6,405,170
(110,005)	285,345	0.91	253,618	1,454,603
(197,241)	126,306	0.43	(79,380)	896,434
70,183	352,863	1.34	719,835	1,434,054
50,187	324,164	1.36	753,128	1,361,259
607,500	1,221,200	2.03	7,003,475	8,937,754
(124,827)	467,953	0.97	310,847	2,099,394
(326,192)	163,544	0.36	(237,921)	1,211,465
96,420	518,666	1.26	1,000,817	2,071,301
54,981	474,994	1.26	1,167,982	2,078,394

**Equals net savings flow for the month divided by the previous month's total savings capital.

SOURCE: Economic Research Department, Federal Home Loan Bank of Little Rock.

Mississippi Agricultural Report, August, 1983

The August 15, 1983 Index of Prices Received by Mississippi farmers for all commodities was up 4 points, (4 percent) at 115 percent of its January-December 1977 average, according to the Mississippi Crop and Livestock Reporting Service.

An increase in soybean prices was responsible for the 10 point (10 percent) rise in the All Crops Index leaving it at 106 percent of its January-December 1977 average.

Decreases in beef cattle and calf prices were responsible for the 4 point (3 percent) decline in the Livestock Products Index leaving it at 128 percent of its January-December 1977 average.

The August ratio of prices received by Mississippi farmers to U.S. prices paid was 71 percent of its January-December 1977 average. The Index of Prices Paid by Farmers for Commodities, Services, Interest, Taxes and Farm Wage Rates for August was 161, up 1 point from mid-July.

MISSISSIPPI AND U.S. INDEX NUMBERS 1977=100

GROUP	August 15 1982	July 15 1983 1/	August 15 1983
<u>MISSISSIPPI</u>			
All Commodities	108	111	115
All Crops	91	96	106
Oil Bearing	83	95	111
Cotton	103	97	97
Livestock & Livestock Products	131	132	128
Meat Animals	157	154	139
Poultry	107	111	116
Dairy	140	138	138
Ratio of Prices Received to Paid 2/	69	69	71
<u>UNITED STATES</u>			
Prices Received	133	131	137
Prices Paid, Interest, Taxes & Wage Rates	157	160	161
Parity Ratio 3/	85	82	85
1/ Revised. 2/ Ratio of Miss. Prices Received to U.S. Prices Paid. 3/ Ratio of Index of Prices Received by Farmers to Index of Prices Paid, Interest, Taxes and Farm Wage Rates.			

SOURCE: MISSISSIPPI CROP AND LIVESTOCK REPORTING SERVICE

July Milk Production

Mississippi: Milk production during July 1983 totaled 76 million pounds with production per cow averaging 810 pounds. Total milk cows averaged 94,000 head.

United States: Milk production during July totaled 11.9 billion pounds, 1 percent less than June 1983 but 4 percent more than July 1981. Comparative data for 1982 are not available by months. Accumulated milk production during the first seven months of 1983 totaled 82.3 billion pounds, up 4 percent from the same period in 1981. Production per cow averaged 1,074 pounds during July 1983, 30 pounds more than July 1981. The total number of milk cows averaged 11.1 million head during July, up 4,000 head from June and 2 percent above July 1981.

MILK COWS AND MILK PRODUCTION--MISSISSIPPI

Month or Quarter	Milk Cows On Farms 1/			Milk Per Cow 2/			Milk Production 3/			Change from 1982
	1981	1982	1983	1981	1982	1983	1981	1982	1983	Percent
	Thousands			Pounds			Million Pounds			
January	97	97	95	710	760	780	69	74	74	0
February	97	97	95	690	730	770	67	71	73	2.8
March	97	97	95	800	870	880	78	84	84	0
April	97	3/	95	810	3/	850	79	3/	81	3/
May	98	3/	95	810	3/	860	79	3/	82	3/
June	99	3/	94	760	3/	830	75	3/	78	3/
July	97	3/	94	730	3/	810	71	3/	76	3/
Oct. - Dec.	96	96		2140	2170		205	208		
Annual	97	96		8866	9375		860	900		

1/ Includes dry cows. Excludes heifers not yet fresh. 2/ Excludes milk sucked by calves. 3/ Not available.

Catfish Processing Up 42 Percent

The U.S. domestic production of farm-raised catfish during July totaled 10.3 million round weight (liveweight) pounds, an increase of 42 percent from July 1982. The July average price paid to growers was 65 cents per pound, 12 cents above July last year.

Net pounds of processed fish sold during July totaled 5.64 million pounds, an increase of 28 percent from the comparable month in 1982. Ice pack sales were 49 percent of the total amount sold. The July average prices received by processors for whole fish were \$1.46 per pound for ice pack and \$1.57 for frozen fish.

Freshwater catfish imports during June totaled 101 thousand pounds, of which 95 percent were from Brazil. Imports were 79 percent below June a year earlier. Import data were compiled by the U.S. Bureau of the Census.

SOURCE: U.S. Department of Agriculture, Mississippi Department of Agriculture and Commerce.

Sales Indicated By Sales Tax Collections During July, 1983, By County (000's)

Source: State Tax Commission

County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales	County	Total Sales Tax Collections	Indicated Sales
Adams	1,404	33,397	Hancock	480	12,033	Lowndes	1,706	42,809	Simpson	447	10,871
Alcorn	944	26,825	Harrison	4,839	118,390	Madison	1,010	28,952	Smith	156	3,885
Amite	123	2,774	Hinds	9,543	271,119	Marion	683	16,213	Stone	203	4,631
Attala	372	9,777	Holmes	327	7,807	Marshall	383	8,956	Sunflower	650	30,774
			Humphreys	248	5,936	Monroe	744	19,210	Tallahatchie	229	4,779
Benton	80	1,354				Montgomery	232	5,324	Tate	362	8,865
Bolivar	896	24,052	Issaquena	6	167				Tippah	376	12,484
			Itawamba	219	6,186	Neahobe	456	12,364	Tishomingo	17	342
Calhoun	255	6,135	Jackson	2,779	85,872	Newton	333	8,209	Tunica	160	3,896
Carroll	85	1,980	Jasper	268	6,276	Noxubee	176	4,294			
Chickasaw	328	8,487	Jefferson	65	1,337				Union	377	9,858
Choctaw	92	2,160	Jeff Davis	185	4,303	Oktibbeha	661	15,615			
Clatsome	383	20,007	Jones	2,014	49,328				Walshall	225	5,658
Clarke	197	4,587				Panola	624	15,623	Warren	1,321	32,028
Clay	369	10,676	Kemper	97	2,332	Pearl River	636	15,963	Washington	1,789	45,596
Coahoma	872	21,514	Lafayette	564	13,090	Perry	308	14,896	Wayne	390	8,590
Copiah	365	8,536	Lamar	409	10,754	Pike	1,066	24,672	Webster	155	3,800
Covington	425	9,764	Lauderdale	2,509	65,284	Pontotoc	292	7,258	Wilkinson	177	4,288
			Lawrence	147	3,162	Prentiss	379	10,957	Winston	380	9,720
DeSoto	885	22,283	Leake	306	7,336				Yalobusha	197	4,387
Forrest	2,519	67,647	Lee	2,517	80,930	Quitman	147	3,155	Yazoo	588	44,383
Franklin	117	3,042	Leflore	1,093	29,023	Rankin	1,923	54,311			
			Lincoln	828	21,566	Scott	506	12,540			
George	216	5,025				Sharkey	126	2,733	State Total	65,779	1,795,189
Greene	82	1,771									
Grenada	635	16,909									

INDEXES OF SELECTED MISSISSIPPI ECONOMIC INDICATORS Seasonally Adjusted 1969 = 100

Indicator	July, 1983	June, 1983	July, 1982
Retail	176.8	155.6	164.0
Electric Sales *			
Gasoline Gallonage	146.5	149.9	149.0
Loans of Savings & Loans Institutions	305.0	207.7	14.4

*TVA figures not available.

Food Stamp Participation By County, July, 1983

SOURCE: State Welfare Department

County	Number of Households ¹ (Average Allotment \$134.76)	Number of Persons ² (Average Allotment \$42.11)	Coupon Value ³ (Average Per Meal \$.47)	County	Number of Households ¹ (Average Allotment \$134.76)	Number of Persons ² (Average Allotment \$42.11)	Coupon Value (Average Per Meal \$.47)
Adams	2,909	8,490	375,990	Lincoln	2,085	6,286	265,551
Alcorn	2,134	5,343	226,251	Lowndes	2,682	8,924	387,470
Amite	932	3,286	123,218	Madison	3,606	12,916	556,594
Attala	1,701	5,288	206,521	Marion	1,705	5,550	234,709
Benton	778	2,814	111,327	Marshall	3,185	11,082	458,362
Bolivar, E	3,102	11,578	484,454	Monroe	1,832	5,696	238,866
Bolivar, W	1,030	4,453	176,593	Montgomery	1,352	3,828	149,277
Calhoun	979	2,774	104,509	Neshoba	1,560	4,619	177,841
Carroll	786	2,383	91,308	Newton	1,207	3,447	130,311
Chickasaw, E	352	994	34,680	Noxubee	1,585	5,456	223,457
Chickasaw, W	684	1,975	70,549	Oktibbeha	1,975	6,175	271,529
Choctaw	746	2,152	86,432	Panola	2,481	9,250	369,117
Claiborne	1,255	4,017	178,454	Pearl River	1,883	5,467	243,598
Clark	1,227	3,409	136,947	Perry	1,067	3,022	128,432
Clay	1,591	5,163	219,033	Pike	2,469	7,637	331,551
Coahoma	3,767	13,663	578,265	Pontotoc	1,154	2,952	109,325
Copiah	1,895	5,928	250,316	Prentiss	1,307	3,534	135,248
Covington	1,295	4,203	169,215	Quitman	1,296	4,967	193,870
DeSoto	2,027	7,078	279,677	Rankin	2,220	6,741	271,011
Forrest	4,096	11,433	513,394	Scott	1,461	4,405	170,932
Franklin	890	2,493	105,862	Sharkey	979	4,054	159,395
George	1,222	3,790	169,190	Simpson	1,411	4,207	168,498
Greene	998	3,094	137,300	Smith	797	2,400	89,824
Grenada	1,247	3,979	161,323	Stone	693	2,308	98,069
Hancock	1,742	4,947	227,862	Sunflower	2,772	11,344	448,885
Harrison	5,853	18,384	823,381	Tallahatchie	1,843	7,226	284,174
Hinds	14,308	44,171	2,004,114	Tate	1,550	4,949	198,577
Holmes	3,398	11,224	505,195	Tippah	1,414	4,029	154,373
Humphreys	1,081	4,100	167,075	Tishomingo	1,020	2,487	98,514
Issaquena	250	961	35,799	Tunica	1,344	5,171	209,499
Itawamba	816	2,127	78,462	Union	1,188	3,277	122,124
Jackson	5,664	18,696	909,913	Walworth	1,153	3,940	158,355
Jasper	1,200	3,884	149,284	Warren	3,007	9,062	408,931
Jefferson	989	3,277	127,237	Washington	6,333	22,475	981,531
Jeff Davis	1,277	4,076	167,235	Wayne	1,845	5,658	239,954
Jones	2,894	8,322	332,224	Webster	708	1,876	76,973
Kemper	741	2,479	93,235	Wilkinson	1,102	3,404	133,312
Lafayette	1,170	3,562	139,407	Winston	1,872	5,726	228,165
Lamar	1,583	4,616	201,896	Yalobusha	985	2,835	112,993
Lauderdale	3,758	11,417	488,173	Yazoo	2,736	9,174	384,305
Lawrence	899	2,678	110,631				
Leake	1,865	5,428	219,993	State Total	165,375	529,295	22,286,211
Lee	2,164	5,965	239,129				
Leflore	3,216	11,645	468,625				

¹Meals are on a state-wide basis and is computed on an average 30 day month and 3 meals per day for a total of 90 meals in one month.

²Average Allotment for Households is determined by dividing state total by number of state total of households.

³Average Allotment for Persons is determined by dividing state total by total number of persons.

⁴Average per meal is determined by dividing the average allotment per person (\$42.11) by total number of average meals a month (90)

Southeast Regional Economic Indicators

	NONFARM EMPLOYMENT			UNEMPLOYMENT RATE			PLANE PASSENGER ARRIVALS		
	Thousands			percent			Thousands		
	June 1983	May 1983	Annual % Change	June 1983	May 1983	June 1982	June 1983	May 1983	Annual % Change
ALABAMA	1,505.8	1,504.4	+ 2	12.7	13.0	14.5	99.1	118.2	-12
Birmingham	337.3	336.5	+ 1	12.0	12.6	13.7	59.5	56.0	+ 7
Huntsville	140.3	139.7	+ 7	9.6	9.6	12.9	23.6	23.2	+11
Mobile	171.3	168.7	0	14.0	14.7	13.8	24.6	23.1	+ 6
Montgomery	116.8	116.7	- 1	11.1	10.7	12.8	16.0	15.9	+24
FLORIDA	3,851.0	3,846.7	+ 3	8.8	8.7	7.7	2,142.1	2,087.7	+ 4
Daytona Beach	84.7	84.4	0	7.9	7.1	5.8	21.5	21.9	+10
Ft. Lauderdale	357.8	360.2	- 1	7.6	7.7	6.1	190.7	197.3	+ 5
Jacksonville	313.6	313.7	+ 2	8.4	8.7	6.5	92.4	86.0	+ 5
Melbourne	113.7	112.9	+ 5	8.5	7.9	7.3	24.4	24.2	+36
Miami	735.2	734.1	+ 0	9.8	10.2	8.9	978.2	879.5	+33
Orlando	337.2	336.3	+ 6	7.6	6.9	6.1	331.1	339.2	+44
Sarasota	77.8	77.5	+ 3	6.4	6.7	6.0	49.7	61.3	+ 7
Tallahassee	76.2	75.8	+ 3	5.6	5.4	4.6	25.0	28.8	+12
Tampa-St. Pete	598.3	600.2	+ 1	7.6	7.8	6.7	316.3	316.3	-47
West Palm Beach	223.6	226.5	+ 2	9.3	8.9	7.5	112.8	135.1	+24
GEORGIA	2,252.6	2,238.6	+ 2	6.8	7.2	7.9	1,676.7	1,624.5	+ 7
Atlanta	1,032.3	1,026.2	+ 2	6.0	6.1	6.5	1,617.4	1,580.6	+ 7
Augusta	124.5	124.1	+ 2	8.6	8.9	9.3	13.7	13.5	+15
Columbus	79.9	78.6	0	8.1	8.6	10.9	8.6	7.5	+ 5
Macon	99.4	98.6	0	7.4	7.4	6.9	5.1	4.6	+ 6
Savannah	88.2	88.6	0	7.7	8.6	7.8	31.9	35.7	+22
LOUISIANA	1,585.0	1,587.8	- 2	12.8	12.7	10.7	272.9	283.0	+ 5
Baton Rouge	205.5	207.9	0	11.0	10.5	9.5	25.9	26.7	+ 4
New Orleans	582.4	586.2	- 3	11.2	11.2	9.7	246.7	256.3	+ 5
MISSISSIPPI	790.3	799.2	0	11.6	12.0	11.2	39.2	35.9	+19
Biloxi-Gulfport	61.9	61.9	- 2	14.5	12.5	8.7	6.7	7.0	+10
Jackson	145.3	145.4	+ 0	9.3	7.8	7.7	32.5	28.9	+21
TENNESSEE	1,680.0	1,673.6	- 1	11.1	11.3	11.7	164.2	166.8	- 1
Chattanooga	163.7	163.4	- 2	9.2	9.4	10.1	19.4	19.6	+18
Knoxville	200.4	200.0	- 4	10.3	10.3	8.7	38.3	35.8	-19
Nashville	365.5	363.4	+ 0	8.2	8.3	9.1	106.5	105.2	+ 4

	NONRESIDENTIAL BUILDING PERMITS			RESIDENTIAL SINGLE-FAMILY BUILDING PERMITS			RESIDENTIAL MULTI-FAMILY BUILDING PERMITS		
	Millions \$, 12-mo. Rate			No. of units, 12-mo. Rate			No. of units, 12-mo. Rate		
	June 1983	May 1983	Annual % Change	June 1983	May 1983	Annual % Change	June 1983	May 1983	Annual % Change
ALABAMA	370.6	370.8	- 8	6,844	6,682	+68	5,615	5,458	+11
Birmingham	138.8	146.6	+16	1,488	1,474	+ 37	944	902	+ 22
Huntsville	48.9	44.9	+ 6	1,383	1,353	+153	1,582	1,397	+188
Mobile	46.8	46.3	-24	829	810	+ 81	843	973	- 28
Montgomery	28.9	28.1	-23	-	-	-	-	-	-
FLORIDA	3,619.7	3,536.9	+ 8	80,305	75,286	+55	66,489	62,531	+20
Daytona Beach	76.0	74.7	+21	3,059	2,856	+55	972	991	-41
Ft. Lauderdale	356.8	388.1	+11	3,189	2,916	+70	7,453	7,146	+47
Jacksonville	321.4	328.4	+116	4,819	4,519	+77	5,890	5,565	+93
Melbourne	97.6	97.7	+23	3,221	2,906	+47	1,580	1,324	- 4
Miami	510.3	480.1	- 9	3,667	3,309	+103	6,936	6,791	+16
Orlando	452.1	463.1	-10	9,937	9,463	+71	4,801	4,071	+31
Sarasota	82.7	79.2	+29	2,247	2,009	+52	1,947	1,916	+30
Tallahassee	27.5	32.5	-16	1,775	1,685	+77	1,265	1,176	+98
Tampa-St. Pete	582.4	548.2	+34	12,989	12,346	+64	11,209	10,238	+41
West Palm Beach	305.4	308.9	- 8	7,262	6,573	+70	6,728	6,273	+24
GEORGIA	1,082.9	1,046.0	+ 3	35,594	34,209	+72	20,008	18,593	+103
Atlanta	770.9	745.7	+12	23,635	22,759	+76	10,666	9,843	+77
Augusta	38.7	39.6	-22	1,934	1,792	+121	1,221	1,189	+259
Columbus	30.4	25.9	-21	484	445	+120	736	583	+276
Macon	31.5	38.2	-31	-	-	-	-	-	-
Savannah	45.0	46.2	-12	-	-	-	-	-	-
LOUISIANA	1,133.0	1,107.3	+23	15,371	14,579	+87	13,099	11,893	+72
Baton Rouge	226.9	215.5	+82	3,333	3,069	+116	3,974	2,778	+83
New Orleans	413.2	396.8	+28	5,427	5,195	+86	5,121	4,328	+142
MISSISSIPPI	158.4	162.3	-19	4,370	4,252	+49	2,869	2,803	+52
Biloxi-Gulfport	21.3	22.5	-37	-	-	-	-	-	-
Jackson	37.4	38.8	-44	591	527	+92	481	550	+221
TENNESSEE	713.3	688.2	+ 2	11,554	10,671	+83	8,592	8,130	+48
Chattanooga	58.5	58.1	-34	925	888	+59	531	525	+26
Knoxville	113.5	100.8	+ 2	1,253	1,182	+75	633	631	-65
Nashville	204.4	191.9	+ 5	3,334	3,108	+137	4,339	3,576	+195

NOTES:

Labor Force data are from Bureau of Labor Statistics Reports supplied by state agencies. Plane Passenger Arrivals are collected from 28 airports. Building Permit data are supplied by the U. S. Bureau of the Census. Nonresidential data excludes the cost of construction for publicly owned buildings. The annual percent change calculation is based on the most recent month over prior year.

SOURCE: Federal Reserve Bank of Atlanta.

STATE ECONOMIC INDICATORS

Indicator	July 1983 ¹	June 1983 ¹	July 1982 ²	Per Cent One Month Ago ³	Change One Year Ago ⁴
EMPLOYMENT, EARNINGS AND HOURS⁵					
Total Employment	932,800	927,400	946,000	0.6	-1.4
Non-Ag Employment	783,000	790,300	787,900	-7.3	-4.9
Mining	11,000	10,900	12,100	0.1	-1.1
Contract Construction	39,600	41,400	41,500	-1.8	-1.9
Manufacturing	202,900	202,600	203,900	0.3	-1.0
Transportation and Public Utilities	38,600	38,700	39,800	-0.1	-1.2
Wholesale and Retail Trade	163,000	162,400	163,500	0.6	-0.5
Finance, Insurance and Real Estate	33,300	33,200	33,200	0.1	0.1
Service	122,700	124,400	122,200	-1.7	0.5
Government	171,900	176,700	171,700	-4.8	0.2
Unemployment Rate (Per Cent Labor Force)	12.2	12.3	10.5	—	—
Average Weekly Earnings in Manufacturing (Dollars)	266.26	270.50	243.59	-1.6	9.3
Average Hourly Earnings in Manufacturing (Dollars)	6.69	6.63	6.36	0.9	5.2
Average Weekly Hours in Manufacturing	39.8	40.8	38.3	-2.5	3.9
PRODUCTION (000's)					
Petroleum Production					
Production of Crude Petroleum (bbls.) ⁶	2,535	2,418	2,781	4.8	-8.8
Gasoline Delivered to Dealers (gals.) ⁷	124,681	115,567	125,329	7.9	-0.5
BANKING AND FINANCE (000's)					
Loans of Savings and Loan Associations ⁸	42,900	39,571	2,183	8.4	186.5
Construction Loans	10,100	7,437	700	35.8	134.3
PUBLIC UTILITIES					
Sales of Electricity (000's KWH) ⁹	1,429,542 [*]	1,306,394 [*]	2,127,679	—	—
RETAIL SALES (000's)¹⁰					
	1,570,557	1,384,828	1,407,311	13.4	11.6
Indicator	April 1983	March 1983	April 1982	Per Cent One Month Ago	Change One Year Ago
AGRICULTURE (000's)¹¹					
Total Cash Receipts from Farm Marketings	92,892	102,761	112,317	-9.6	-17.3
Cash Receipts from Marketing Livestock	79,897	78,127	80,803	2.0	-1.4
Cash Receipts from Marketing Crops	13,195	24,634	31,514	-46.4	-58.1

¹Preliminary

²Revised

³Percent change calculated with revised figures; not comparable with previously published data.

⁴Mississippi Employment Security Commission

⁵State Oil and Gas Board for March

⁶Mississippi Motor Vehicle Comptroller

⁷Federal Home Loan Bank of Dallas (Formerly of Little Rock)

⁸Mississippi Power Company, Mississippi Power and Light Company. *Tennessee Valley Authority figures not available this month.

⁹Mississippi Tax Commission

¹⁰U.S. Department of Agriculture

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month July	PerCent Month Ago	Change Year Ago	Current Month July	Month Ago	Year Ago
Aberdeen	46,265	2.7	-1.1	32,400	65,200	112,250
Baldwyn	24,878	-10.4	13.4	---	---	---
Batesville	61,141	---	-2.4	211,050	290,000	28,300
Bay Springs	21,600	---	-7.5	---	---	---
Bay St. Louis	42,206	-1.2	11.5	---	---	---
Belmont	11,502	8.1	23.2	---	---	---
Belzoni	30,399	3.2	-5.6	39,400	30,600	5,000
Biloxi	320,642	6.0	0.9	---	---	---
Brandon	45,248	6.3	16.4	4,514,617	1,868,424	348,185
Brookhaven	124,535	1.6	9.1	820,220	577,250	772,440
Brooksville	2,838	2.5	12.3	75,804	52,000	168,000
Canton	68,707	5.5	19.4	---	---	---
Carthage	43,131	-4.7	18.8	---	---	---
Charleston	16,232	3.4	-1.4	---	---	---
Clarksdale	124,330	-2.0	-1.2	478,200	251,610	766,500
Cleveland	103,936	1.8	5.6	---	---	---
Collins	31,793	19.7	-14.2	---	---	---
Columbia	95,648	-9.6	9.9	---	---	---
Columbus	237,254	0.4	8.7	1,114,318	318,806	384,737
Corinth	111,308	-7.6	-1.9	1,226,850	157,294	78,253
Crystal Springs	24,705	-14.4	-16.2	1,850	6,000	49,000
Drew	10,140	4.2	-11.1	0	32,000	2,000
Edwards	3,665	15.7	2.2	---	---	---
Ellisville	14,992	-2.7	-13.0	---	---	---
Eupora	16,622	0.9	-9.9	---	---	---
Fayette	9,796	0.4	12.0	---	---	---
Forest	55,435	3.2	9.5	48,000	165,200	537,000
Greenville	241,908	-3.1	2.3	---	---	---
Greenwood	149,095	-6.3	4.2	287,500	447,378	200,700
Grenada	89,657	-11.5	4.4	574,000	263,000	506,000
Gulfport	308,033	-0.3	7.0	2,802,136	1,220,492	614,510
Hattiesburg	411,578	1.6	13.9	4,525,300	2,606,953	984,541
Hernando	25,167	0	-5.1	9,250	18,719	58,450
Hollandale	13,792	3.5	-18.4	33,300	1,000	13,290
Holly Springs	43,747	4.5	8.0	2,350	66,000	7,000
Houston	36,059	5.3	16.8	31,000	78,050	22,500
Indianola	62,228	-22.4	-5.0	---	---	---
Iuka	28,382	4.8	0.2	---	---	---
Jackson	1,494,775	-5.6	1.8	7,551,835	6,572,945	3,579,679
Kosciusko	55,296	-2.7	5.0	97,450	52,200	110,700
Laurel	274,141	-4.2	-9.2	721,321	382,888	322,903
Leland	19,460	-8.3	-18.8	7,500	0	4,800
Lexington	23,485	19.3	17.8	---	---	---
Louisville	51,836	5.3	-8.6	128,125	72,300	295,538
Lucedale	30,782	-19.6	-15.0	0	0	12,700
Lumberton	8,403	-11.4	-9.6	---	---	---
Macon	17,595	7.4	9.0	---	---	---
Magee	46,446	-5.0	11.9	---	---	---
Wagonolia	10,129	-2.8	13.9	65,460	62,000	8,700
Marks	15,096	-1.5	-9.7	---	---	---
McComb	143,215	4.7	4.4	---	---	---
Meadville	6,527	15.9	29.8	1,653,000	0	0
Mendenhall	23,103	11.0	17.0	65,800	14,940	40,000
Meridian	389,104	2.1	8.2	2,322,269	2,800,721	790,613
Monticello	20,041	-3.6	8.1	93,000	0	943,000
Morton	19,644	2.8	1.4	---	---	---
Moss Point	50,698	-0.4	-5.1	---	---	---
Natchez	230,029	3.9	2.2	607,143	629,940	104,418
New Albany	59,763	2.6	6.7	1,657,000	348,823	91,000
Newton	25,036	-3.0	8.0	205,080	30,000	37,400
Ocean Springs	77,730	-3.1	7.7	---	---	---
Okolona	16,758	13.4	14.3	89,500	0	1,000
Oxford	91,203	6.1	15.1	163,550	670,050	332,595
Pascagoula	200,380	7.2	-4.2	---	---	---
Pass Christian	15,345	8.2	3.0	---	---	---
Philadelphia	66,056	-3.4	-18.4	---	---	---

BUSINESS ACTIVITY BY CITY

	City Sales Tax Collections			Building Permits		
	Current Month July	PerCent Month Ago	Change Year Ago	Current Month July	Month Ago	Year Ago
Picayune	116,708	25.7	32.7	342,000	861,000	286,400
Pontotoc	44,220	3.7	6.2	---	---	---
Poplarville	16,595	-2.8	-15.1	---	---	---
Port Gibson	15,743	-7.0	-0.7	---	---	---
Prentiss	20,862	-3.6	4.7	121,000	24,000	1,500
Quitman	24,502	1.0	2.7	---	---	---
Raymond	4,947	23.4	5.5	---	---	---
Richton	10,064	-1.7	6.4	15,000	60,000	20,000
Rosedale	6,964	-10.2	-12.8	---	---	---
Ruleville	12,048	-1.4	-9.6	---	---	---
Sardis	17,994	14.8	-0.0	13,000	10,000	43,000
Senatobia	48,477	1.8	7.4	62,950	1,800	700
Shelby	10,584	1.7	0.7	---	---	---
Starkville	100,725	1.4	6.2	935,773	781,716	57,284
Summit	10,443	-8.6	11.7	---	---	---
Taylorville	11,993	-3.2	-3.1	---	---	---
Tchula	4,617	2.2	16.6	---	---	---
Tunica	18,104	10.5	21.8	---	---	---
Tupelo	343,796	-5.8	12.8	1,360,717	1,618,451	415,668
Union	14,435	-14.1	5.3	---	---	---
Utica	9,081	-5.1	-12.6	---	---	---
Vicksburg	194,503	-1.5	-7.5	341,471	1,942,175	94,360
Walnut Grove	1,201	-23.9	-13.0	---	---	---
Water Valley	24,347	1.1	-3.7	---	---	---
Waynesboro	56,461	4.3	8.3	10,000	15,000	20,000
West Point	56,310	4.6	15.4	363,080	610,000	41,500
Wiggins	25,585	-4.3	8.9	---	---	---
Winona	33,945	0.5	2.9	50,000	-0-	162,400
Yazoo City	63,901	-2.3	1.0	---	---	---

STANDARD METROPOLITAN STATISTICAL AREAS

JACKSON [Hinds and Rankin Counties]	July 1983	June 1983	July 1982	Per Cent Month Ago	Change Year Ago
MANPOWER DATA					
Civilian Labor Force	159,600	160,900	161,600	-0.8	-1.2
Unemployed Persons	13,600	14,900	12,900	-7.4	7.0
Per Cent of Labor Force	8.6	9.3	8.0	---	---
Employed Persons	145,800	146,000	148,700	-0.1	-2.0
Non-Ag Wage & Salaries	124,100	124,800	126,900	-0.6	-2.2
Manufacturing	19,900	19,500	19,800	2.1	0.5
CITY SALES TAX COLLECTIONS	1,557,716	1,643,362	1,525,949	-5.2	2.1
BILOXI-GULFPORT [Hancock, Harrison and Stone Counties]					
MANPOWER DATA					
Civilian Labor Force	72,400	72,340	70,570	0.1	2.6
Unemployed Persons	10,210	10,520	6,440	-3.0	58.5
Per Cent of Labor Force	14.1	14.5	9.1	---	---
Employed Persons	62,190	61,820	64,130	0.6	-3.3
Non-Ag Wage & Salaries	52,030	51,990	53,870	0.1	-0.3
Manufacturing	9,660	9,370	9,740	3.1	-0.8
CITY SALES TAX COLLECTIONS	644,020	625,530	620,830	3.0	3.7

Summary of 1980 Census of Population, By County

SOURCE: 1980 Census of Population and Housing,
Mississippi, U.S. Department of Commerce, Bureau of the
Census.

County	Pop. Total	% Change From 1970	Total Households	% Change 1970	Persons Per Household
Adams	38,035	2.0	12,806	16.2	2.94
Alcorn	33,036	21.5	11,940	35.7	2.75
Amite	13,369	-2.9	4,365	12.8	3.06
Attala	19,865	1.5	6,862	14.9	2.87
Benton	8,153	8.6	2,577	27.3	3.16
Bolivar	45,965	-7.0	13,571	6.8	3.28
Calhoun	15,664	7.1	5,420	19.7	2.86
Carroll	9,776	4.0	3,203	24.5	3.05
Chickasaw	17,853	6.2	5,871	18.6	3.02
Choctaw	8,996	6.6	2,997	16.6	2.95
Clallborne	12,279	21.7	3,574	33.9	2.99
Clarke	16,945	12.6	5,764	26.1	2.94
Clay	21,082	11.9	6,776	27.4	3.04
Coahoma	36,918	-8.7	11,692	4.5	3.12
Copiah	26,503	7.1	8,520	20.1	2.99
Covington	15,927	13.7	5,171	29.9	3.06
DeSoto	53,930	50.3	16,331	75.5	3.29
Forrest	66,018	14.1	22,978	31.0	2.68
Franklin	8,208	2.5	2,916	15.2	2.79
George	15,297	22.8	4,828	35.0	3.14
Greene	9,827	15.0	3,065	25.2	3.18
Grenada	21,043	6.0	7,111	20.8	2.94
Hancock	24,537	41.1	8,182	58.8	2.94
Harrison	157,665	17.2	52,202	39.2	2.85
Hinds	250,998	16.8	85,902	35.8	2.83
Holmes	22,970	-0.6	7,034	10.9	3.19
Humphreys	13,931	-4.6	4,269	10.5	3.25
Issaquena	2,513	-8.2	764	5.1	3.29
Itawamba	20,518	21.8	7,055	35.5	2.85
Jackson	118,015	34.1	37,589	52.9	3.10
Jasper	17,265	7.9	5,591	21.8	3.08
Jefferson	9,181	-1.2	2,775	14.6	3.30
Jeff Davis	13,846	7.0	4,358	20.9	3.15
Jones	61,912	9.9	21,549	26.4	2.80
Kemper	10,148	-0.8	3,245	15.6	3.12
Lafayette	31,030	28.3	9,623	49.6	2.72
Lamar	23,821	56.6	7,851	74.2	3.02
Lauderdale	77,285	15.2	26,903	28.3	2.76
Lawrence	12,518	12.4	4,158	26.5	3.00
Leake	18,790	10.0	6,378	21.7	2.92
Lee	57,061	23.6	19,970	38.5	2.83
Leflore	41,525	-1.4	13,003	9.6	3.03
Lincoln	30,174	15.2	10,125	27.2	2.94

County	Popl Total	% Change From 1970	Total Households	% Change 1970	Persons Per Household
Lowndes	57,304	15.3	18,664	32.5	2.96
Madison	41,613	39.9	12,711	67.4	3.20
Marion	25,708	12.4	8,565	27.8	2.96
Marshall	29,296	21.9	8,518	46.7	3.36
Monroe	36,404	6.9	12,255	18.8	2.94
Montgomery	13,363	3.5	4,543	17.8	2.92
Neshoba	23,789	14.4	8,040	26.4	2.94
Newton	19,944	5.1	6,936	18.5	2.81
Noxubee	13,212	-7.5	4,020	7.5	3.28
Oktibbeha	36,018	15.3	10,960	45.5	2.87
Panola	28,164	5.0	8,880	21.8	3.15
Pearl River	33,795	21.6	11,004	36.1	3.02
Perry	9,864	8.8	3,160	21.4	3.12
Pike	36,173	13.9	12,348	27.3	2.89
Pontotoc	20,918	20.5	7,318	33.3	2.82
Prentiss	24,025	19.3	8,298	31.1	2.84
Quitman	12,636	-20.5	3,930	-6.3	3.21
Rankin	69,427	58.0	21,741	94.7	3.07
Scott	24,556	14.9	8,015	30.4	3.05
Sharkey	7,964	-10.9	2,262	-0.6	3.52
Simpson	23,441	17.5	7,673	31.6	3.00
Smith	15,077	11.2	5,016	24.2	3.00
Stone	9,716	19.9	2,996	32.7	3.02
Sunflower	34,844	-5.9	9,685	5.0	3.33
Tallahatchie	17,157	-11.3	5,287	1.2	3.24
Tate	20,119	8.5	6,033	25.4	3.15
Tippah	18,739	18.2	6,409	31.3	2.87
Tishomingo	18,434	23.4	6,727	37.4	2.71
Tunica	9,652	-18.6	2,814	-8.4	3.42
Union	21,741	13.9	7,774	27.3	2.78
Walthall	13,761	10.1	4,419	23.2	3.09
Warren	51,627	14.8	17,355	28.0	2.94
Washington	72,344	2.5	22,948	18.1	3.13
Wayne	19,135	14.9	6,187	30.7	3.08
Webster	10,300	2.5	3,591	15.2	2.82
Wilkinson	10,021	-9.7	3,190	4.1	3.11
Winston	19,474	5.8	6,552	20.2	2.95
Yalobusha	13,139	10.3	4,583	26.4	2.85
Yazoo	27,349	0.2	8,818	13.9	3.07
Total	2,520,638	13.7	827,169	29.9	2.97

